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LAW ENFORCEMENT ACTIVITIES OF THE TREASURY AND JUSTICE DEPARTMENTS IN THE MIDWEST AND NORTH CENTRAL REGIONS

HEARING

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

SPECIAL HEARING

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LAW ENFORCEMENT ACTIVITIES OF THE TREASURY AND JUSTICE DEPARTMENTS IN THE MIDWEST AND NORTH CENTRAL REGIONS

MONDAY, JUNE 15, 1987

U.S. SENATE,
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE
AND GENERAL GOVERNMENT,
COMMITTEE ON APPROPRIATIONS,
Chicago, IL.

The subcommittee met at 9:20 a.m., in suite 2525, Everett Dirksen Federal Building, 219 South Dearborn, Chicago, IL, Hon. Alan J. Dixon presiding.

Present. Senators Dixon and DeConcini.

NONDEPARTMENTAL WITNESSES

OPENING REMARKS

Senator DIXON. I call to order this special meeting of the Subcommittee on Treasury, Postal Service, and General Government of the U.S. Senate Committee on Appropriations.

I am pleased, ladies and gentlemen, to welcome to our State of Illinois the chairman of that subcommittee, and my great friend, the distinguished senior Senator from Arizona, Senator Dennis DeConcini.

Thank you for coming, Senator.

STATEMENT OF SENATOR DENNIS DE CONCINI

Senator DECONCINI. Senator Dixon, thank you for inviting us and, on behalf of the Appropriations Committee and the chairman; Senator Domenici, my ranking member on this Subcommittee on Treasury, Postal Service, and General Government, we are pleased to meet with you. We are quite honored that we have an opportunity to be with you today.

My colleague, Senator Dixon, has been a leading proponent of more law enforcement efforts and oversight, and that is what we are involved in here today. The subcommittee was in Chicago a few days ago after an earthquake had rocked buildings from Tiger Stadium in Detroit to downtown Chicago. Perhaps the Senator is trying to tell me something or else it may be a preview of how, particularly, these hearings are going to go. We have had some interesting things happen in this community and region. In any event, I am really delighted to have a chance to hold some joint hearings. Senator Dixon and I have worked together in a number of areas. One of the leaders in the U.S. Senate in the area of transferring military assets to the pavilion of the Federal law enforcement agencies is Senator Dixon. It is his leadership in the Armed Services Committee that has given Customs the capability today to have radar along our Southwest border and Southeast border.

Today we are pleased to have two panels of outstanding law enforcement personnel from the Treasury and Justice Departments who will discuss their respective department law enforcement activities here in Chicago and the entire north central region.

We are also fortunate to have the director of the Illinois State Police, Mr. Margolis. Hopefully, we will be able to shed some light on how the Federal agencies are cooperating with his department and the local law enforcement people in the State.

Let me quickly say that, although the Midwest often escapes the scrutiny and headlines that are normally assigned to the so-called glamour crime regions of south Florida and now the Southwest, Chicago and other parts of the Midwest are certainly not immune from the long reach of the drug smugglers, the weapons traffickers, the arsonists, and those who attempt to smuggle high technology equipment to the Soviet bloc nations from this part of the country. Although the drug seizure statistics for this area may not stack up against places like Miami or the Southwest, the area continues to be a major market for the trafficking of drugs, weapons, and explosives.

We hope to find out today how our two major law enforcement departments are doing to combat criminals in this region and whether or not we are winning that battle.

At this point, I would like to yield to my good friend, Senator Dixon, who will chair these hearings, and I intend to be here for the balance of them.

PREPARED STATEMENT

Alan, thank you very much for having me here.

I will submit a statement for the record.

[The statement follows:]

STATEMENT OF SENATOR DENNIS DECONCINI

Good morning, ladies and gentlemen. Today we are honored to bring the Senate Appropriations Subcommittee on Treasury, Postal Service, and General Government to the land of Lincoln and to the State represented by my distinguished colleague and good friend, Senator Alan Dixon. I want to say from the outset that I am somewhat suspicious, however, of Alan's motives in bringing our subcommittee to Chicago only 4 days after an earthquake that rocked buildings from Tiger Stadium in Detroit to downtown Chicago. Perhaps the Senator is trying to tell me something or else it may be a preview of how this particular hearing is going to go today. In any event, we are delighted to have been able to honor Senator Dixon's request for this important hearing today in Chicago and we look forward to the testimony from our witnesses.

Today we are pleased to have two panels of outstanding law enforcement personnel from the Treasury and Justice Departments who will discuss their respective department's law enforcement activities in Chicago and the entire north central region. We are also fortunate to have the director of the Illinois State Police, Mr. Jeremy Margolis, who hopefully will be able to shed some light on how the Federal agencies are cooperating with his department and the local law enforcement people in the State.

Let me quickly say that although the Midwest often escapes the scrutiny and headlines that are normally assigned to the so-called glamour crime regions of south Florida and the Southwest border, Chicago and other parts of the Midwest are certainly not immune from the long reach of the drug smugglers; the weapons traffickers; the arsonists; and those who attempt to smuggle high technology equipment to the Soviet bloc nations. Although the drug seizure statistics for this area may not stack up against Miami or parts of the Southwest, this area continues to be a major market for the trafficking of drugs, weapons, and explosives. We hope to find out today how our two major law enforcement departments are doing to combat criminals in the region and whether or not we are winning the battles.

At this point, I would like to yield to my good friend and colleague, Senator Alan Dixon. Let me first say that the State of Illinois is fortunate indeed to have this man in Washington fighting their battles and representing their interests with great skill and effectiveness. He has been a real tiger on the drug issue. He has been a leader in the Senate in the fight against terrorism. He has been a force on the Armed Services Committee and a driving force in bringing the military into our war on drug smugglers. If everyone in the administration and in the Congress had the commitment to fight crime like Alan Dixon does, we would win the war and not just a few skirmishes. I am pleased to be here and I am pleased to yield to Senator Alan Dixon.

STATEMENT OF SENATOR ALAN J. DIXON

Senator Dixon. Thank you, Senator DeConcini, distinguished witnesses and guests. I would like to extend my warm appreciation for being given the opportunity to participate in this hearing here in Chicago.

As you know, I am keenly interested in this country's overall strategy against narcotics trafficking, and I view the enforcement activities of our various cooperative Federal agencies as an integral part of the war on drugs.

I have urged the Appropriations Committee to come to Chicago because I am extremely concerned about law enforcement issues in Illinois and the midwest region as a whole. The drug problem in our cities is staggering. Organized crime continues to operate throughout this city. Senator DeConcini and I are also co-chairmen of the U.S. Senate Anti-Terrorism Caucus, and I'm sure we would welcome hearing from our distinguished witnesses on recent developments concerning terrorist organizations in the Chicago area and the Midwest overall. I am deeply, deeply concerned about Chicago and the midwest region as a whole. With respect to this region's drug problems, the five States which make up the midwest region grew 84 percent of the marijuana eradicated in this country last year. Chicago has traditionally been the country's primary distribution center for Mexican heroin, which comes into this country from Durango, Mexico. Fortunately, Operation Durango has brought indictments within the Herrera family and curtailed the extent of the trafficking. However, as heroin availability falls, the use of cocaine, particularly crack, has soared. Over the past 2 fiscal years, the U.S. Customs Service seized over 230 million dollars' worth of narcotics in the midwest region alone.

As a Senator who represents the State of Illinois, I welcome Jeremy Margolis, director of the Illinois State Police. I hope the subcommittee gains a better understanding of cooperation among the agencies through the testimony of Mr. Margolis. Federal law enforcement efforts against narcotics and weapons trafficking, organized crime, arson, child pornography, or any other area of criminal activity simply cannot function successfully or smoothly without adequate cooperation throughout the system, from the local police officer out on the beat to the highest levels of the Federal agencies. It is my hope that the committee will leave this hearing with a strong sense of whether cooperation in the Midwest is adequate and, if not, what needs to be done, administratively or legislatively, to give our law enforcement community the tools it needs to do their job effectively. It is my hope today to get some answers to some of the truly fundamental questions concerning the growing drug problem in this city:

Why is the cocaine problem growing?

Who, specifically, is involved in these criminal operations and are we getting these people off the street?

We know the Chicago area is one of the largest distribution networks in this country, but are Federal agencies applying their resources adequately to the Midwest, in view of the large scope of these criminal enterprises?

PREPARED STATEMENT

I would like to thank each of the witnesses appearing before the committee today and I look forward to the testimony. I will submit the balance of my statement for the record.

[The statement follows:]

STATEMENT OF SENATOR ALAN J. DIXON

Mr. Chairman, members of the subcommittee, distinguished witnesses and guests, I would like to extend my warm appreciation for being given the opportunity to participate in this hearing. As the chairman knows, I am keenly interested in this country's overall strategy against narcotics trafficking, and I view the enforcement activities of our various cooperative Federal agencies as an integral part of the war on drugs.

I have urged the Appropriations Committee to come to Chicago because I am extremely concerned about law enforcement issues in Illinois and the midwest region as a whole. The drug problem in our cities is staggering. Organized crime continues to operate throughout the city. Senator DeConcini and I are also cochairmen of the U.S. Senate Anti-Terrorism Caucus, and I'm sure we would enjoy hearing from our distinguished witnesses on recent developments concerning terrorist organizations in the Chicago area and the Midwest overall.

As members of the U.S. Senate, we are asked to consider a great many law enforcement issues in Washington, involving a great many enforcement agencies, and I believe it serves us well to examine, in detail, the activities of the regional representatives of these agencies. Arson for hire has become one of the fastest growing crimes in the country. Child pornography, which thrives on the sexual abuse of children, continues to be a major problem. Weapons traffickers in the Midwest have been smuggling military hardware to the outlawed Qadhafi regime. Sophisticated computers and high tech electronics are being illegally exported to east bloc countries.

I am deeply concerned about Chicago and the midwest region as a whole. With respect to this region's drug problems, the five States which make up the midwest region grew 84 percent of the marijuana eradicated in this country last year. Chicago has traditionally been the country's primary distribution center for Mexican heroin which comes into this country from Durango, Mexico. Fortunately, Operation Durango has brought indictments with the Herrera family, and curtailed the extent of the trafficking. However, as heroin availability falls, the use of cocaine, particularly crack, has soared. Over the past 2 fiscal years, the U.S. Customs Service seized over 230 million dollars' worth of narcotics in the midwest region alone.

It is sad to say that Chicago has more than its fair share of violent, criminal organizations, some of which are politically motivated. The El Rukn organizaton of Chicago, with its ties to Libya's Mu'ammar Qadhafi, is particularly threatening. Before the El Rukns, Chicago faced a serious threat posed by the FALN organization with ties to Puerto Rican separatists. I understand that FALN members still await trial in Chicago, and it is my hope that the Chicago terrorist task force has finally rid this city of this dangerous group. Traditionally, organized crime has been a problem in the Midwest. Today, organized crime is still alive and engaged in gangland slayings, gambling, loansharking, extortion, and prostitution.

As a Senator who represents the State of Illinois, I am pleased to welcome Mr. Jeremy Margolis, director of Illinois State Police. I hope the subcommittee gains a better understanding of cooperation among the agencies through your testimony. Federal law enforcement efforts against narcotics and weapons trafficking, organized crime, arson, child pornography, or any other area of criminal activity simply cannot function successfully or smoothly without adequate cooperation throughout the system, from the local police officer out on the beat to the highest levels of the Federal agencies. It is my hope that the committee will leave this hearing with a strong sense of whether cooperation in the Midwest is adequate and if, not, what needs to be done, administratively or legislatively, to give our law enforcement community the tools it needs to do their job effectively.

1983 was the first year of operation of the organized crime drug enforcement task force [OCDETF]. By the end of that year, it became clear drug trafficking cases numbered the highest in the north central region as compared to the 12 other regions organized under the task force. Statistics in 1983 also indicate that of all the regions divided within the task force umbrella, the criminal organizations in the Chicago area were among the most entrenched and the most establihsed. The north central region has also led the Nation with respect to cocaine, far exceeding any other region in distribution, and second only to the gulf coast region in importation!

Drug Enforcement Administration officials in Chicago have described this city's cocaine problem as epidemic. To me, and I'm sure to the members of the Appropriations Committee, this is simply unacceptable. It is not fair to the youth of this great city to wage anything other than a total war on the narcotics distribution networks in the region. I share U.S. attorney Valukas' desire to see an effective program of drug abuse education to reduce the demand in the schools and on the streets. Demand reduction, however, is simply one component of a larger strategy involving the entire range of law enforcement tactics.

It is my hope today to get some answers to some of the truly fundamental questions concerning the growing drug problem in this city. Why is the cocaine problem growing? Who, specifically, is involved in these criminal operations and are we getting these people off the street? We know the Chicago area has one of the largest distribution networks in the country, but are Federal agneices applying their resources adequately to the Midwest in view of the large scope of these criminal enterprises?

I would like to thank each of the witnesses appearing before the committee today, and I look forward to your testimonies.

Senator DIXON. Senator DeConcini, with your cooperation, I would now like to call Mr. Jeremy Margolis, director of the Illinois State Police.

Good morning, Mr. Margolis.

STATEMENT OF JEREMY MARGOLIS, DIRECTOR, ILLINOIS STATE POLICE

Mr. MARGOLIS. Good morning, Senator Dixon, and Senator DeConcini.

Senator DECONCINI. Mr. Margolis, if we could, we would ask, because of our long list of witnesses here, that you summarize your statement. Your full statement will appear in the record. We want to be sure that we have ample time to go through all of the panels that are here today.

Mr. MARGOLIS. I understand and I am pleased to do so, Senators.

Senator DECONCINI. Thank you.

Mr. MARGOLIS. At the outset, let me express the sincere appreciation and honor felt by the thousands of men and women of the Illinois State Police for the invitation to appear before you this morning.

And I must tell you, with all due respect, that I think you will see at the conclusion of today's proceedings that you have picked a garden spot to hold these hearings.

Chicago, and the Midwest, as I know you both know, has long been heralded as probably the finest example of overall law enforcement cooperation in the Nation. As both of you gentlemen and your staffs know, as well as I, law enforcement cooperation is the single most effective way to combat the major, the most serious, the most complex, law enforcement problems affecting our society. That sort of cooperation can come in two ways. It can come from the top through orders of the bosses, on down. It can come from the street level, the working-level officer and agent, on up. The history in Chicago is that the level of cooperation that we have seen in a lot of areas that I will touch on ever so briefly has come both directions. The law enforcement administrators, whether they are from Federal agencies, State agencies, local agencies, share not only a common view and a common purpose. They also share a great deal of friendship and camaraderie. When a new, for example, special agent in charge, when Jim McKenzie is assigned to Chicago, although we may know each other by reputation and have only met briefly, it takes a very short period of time before we make every effort to become personal friends. You will see among the law enforcement leaders in this State—and not only professional cooperation but strong, deep social ties—that there develops, because of commonality of purpose, a splendid spirit of camaraderie, which, I think, with institutional support, is the single-most effective means toward generating cooperation from the top down to the bottom.

I have had the privilege to see the law enforcement system in this State cooperate, both during my many years as the Federal prosecutor and now as a State law enforcement executive. If I appear to be an unabashed believer and supporter and cheerleader of cooperation, I plead guilty. That is exactly what I am.

The testimonial here this morning will describe the work in the field of gangs and narcotics, the Tylenol murders, for example, where hundreds of officers and agents worked together throughout this State and throughout the world; the Alton Coleman investigation, where a task force of many, many States, and many Federal agency divisions, worked tirelessly for many months to stop a six State murder spree, where, basically, children were the victims; the variety of specialized enforcement task forces, whether it is organized crime, loan sharking, chop shops, give you but one additional example of the level of ongoing cooperation in all areas of law enforcement that we see in this city and the State. Greylord is an example that received nationwide publicity, essentially an FBI, U.S. attorney's office, project, tremendous involvement by the Internal Revenue Service, and support from beginning to end from the local police departments, the Chicago Police Department, the State police, and prosecutors all around.

Perhaps the most striking example, and if I can focus on one, because it has been the love of my life since 1975, is the terrorist task force here in Chicago. As you gentlemen both know, there was a network of terrorist task forces around this country, the largest of which and most prominent are in Chicago and New York, but there were a number in other cities, some of which were in places you would never expect them to need to be, because they are in places where the terrorists may have their infrastructure but not necessarily their theatres of operation, and we are there as well.

You have task forces that are made up, primarily, of FBI, local police, and in some jurisdictions, like New Jersey and Chicago, the State police. These task forces have the cooperative support of the bosses of the agencies and the camaraderie, the brotherhood, and sisterhood, of the working agents and cops out there on the street, men and women who, day and night, risk their lives.

There is no way, other than this full, complete and total cooperation, that these problems can be handled in any way, shape or form.

Years ago, as you know, in New York, there was a level of competition between the New York City Police and the FBI that was very ugly and it didn't contribute to law enforcement success. There was a period of time when in Chicago the individuals who would respond from the FBI, from the Chicago Police Department, to a bomb scene, barely spoke. Those situations are years ago. You now have a relationship of full sharing, the sharing of performance, the sharing of information, the sharing of equipment. Local officers and agents, with top secret clearances, sworn deputy U.S. marshals, the ability for these entities to pick up at a moments notice and travel throughout this country, working these cases together because these cases don't know geographic boundaries.

In the late 1970's and early 1980's, the FALN was responsible for over 120 bombing and incendiary attacks throughout this country; a few in Washington, mainly New York and Chicago; armed attacks; individuals murdered; and individuals grievously wounded. The serious injuries came close to 100. Law enforcement had been unable to make any proactive success. We did marvelous after-the-fact investigation. We cleared up the bomb scenes and knocked on doors. But until in New York and Chicago a concentrated effort from the top on down was made to fully and totally cooperate in a proactive way, the breaks that we got were breaks given to us from up above. Now you have proactive investigations, many of which may take years, but that have led to the compromising of multiple safe houses. Murders have been averted. Jail breaks have been averted. Weapons and explosives have been seized, again, again, and again. These same techniques, these same proactive, cooperative techniques have worked out East with revolutionaries of every gilt and description and they continue to work throughout this country on cases that, thank God, are ongoing right now. As we sit here and speak, officers and agents answering to the men and women in this room, are out there doing that work and are proactively, because of their cooperation, saving lives.

What you can do for us, I know, is your primary concern. As with all things in Government, money is always an issue. I compliment you for seeing to it that the dollars necessary to support the FBI's National Academy effort, which not only trains local law enforcement but teaches that spirit of cooperation. That funding has been restored and those facilities will continue to be available to strap local departments in the years to come.

I ask you to continue the sort of funding that was arranged last year, for example, to provide overtime support. Payments for terrorist task force, local and State officers, can now be shared in some small respect by the Federal Government. The FBI pushed that and Congress saw fit to appropriate a sizable sum of money, and I ask that that sort of funding continue.

With all due respect, I must tell you I think what you are doing today is one of the most important things you can do. It is a highlight of the existing level of cooperation, the price that we pay without that cooperation, and to make not only the public but the agencies out there, the rank and file who may not themselves be involved in these projects which are very special, very exciting projects, to understand how important it is and how recognized the work is, so that they can be instigated to support it and to work toward it.

Finally, with regard to pure legislative efforts. I ask you to bear in mind, as you review rules of evidence, new crimes, changing requirements, and elements of certain crimes, to bear in mind the relationship between the Federal enforcement agencies, the Federal prosecutors, and the local enforcement agencies, and the local prosecutors. When you review 6–C grand jury secrecy requirements, for example, bear in mind the continuing need to share information and cooperate. When you look at the provisions and the regulations and rules that cover the court order, electronic surveillance, and criminal suspects, remember the need of local law enforcement to have access to that information. Bear in mind, perhaps, that we may need a touch of a technical change to make clear. It is unclear now, but we should probably make clearer that local law enforcement officers can listen in real time live out of title III. That would help in terms of resources. Bear in mind these things when you look to support the level of local and Federal cooperation throughout this country and I tell you that you will continue to make a great difference.

I heard in the press conference, Senator Dixon discuss his, I think, valiant efforts, I should say, in the *Rousch, Saudi Arabian* case. And, as the Senator knows, the Illinois State Police, which have developed a leadership role throughout this country in the area of missing and sexually exploited children and child pornography have been deeply involved in that case and have recognized the kind of real meaningful difference it is making. Oftentimes, despite the fact that something on the surface may seem like a pure police enforcement matter, it is the muscle of the U.S. Senate that, on occasion, is required to make things happen. There is no doubt that the legislature of our States and the Congress of the United States need to view themselves as full and complete partners in the work that we do and in so doing, I think you will help us make a continuing meaningful difference in people's lives.

PREPARED STATEMENT

I compliment you for what you have been doing and I thank you very much for having me here today.

[The statement follows:]

STATEMENT OF JERRY MARGOLIS

On behalf of the Illinois State Police, I want to take this opportunity to thank Senators DE CONCINI, DIXON, DOMENICI, and the Senate Subcommittee on Treasury, Postal Service and General Government Agencies for inviting me to appear before you.

The Illinois State Police has jurisdiction throughout the State of Illinois. With densely populated urban areas like Chicago, broad agricultural regions, coal mines and oil fields, tourist and recreation sites, Illinois is a virtual microcosm for the rest of the nation. Our potential for crime is just as large and just as diverse as our state; and the Illinois State Police has evolved into one of the most sophisticated police organizations in the nation to meet the extraordinary demands of law enforcement here. We are a full-service police agency in the fullest sense of the words. Our uniformed troopers patrol the highways, answer calls to crime scenes, initiate investigations, conduct aerial surveillance or underwater rescue, and perform a myriad of special operations that range from hazardous material investigations to tactical response teams to child safety education.

We have one of the largest and most technically resourceful investigative units, the Division of Criminal Investigation, of any state police operation in the country. More than 400 special agents conduct general criminal investigations anywhere within the state's borders or work in specialized units to confront computer crime, horse race fixing, welfare fraud, child exploitation, narcotics, auto theft, street gangs, or domestic terrorism, to name only some.

We operate a system of seven forensic laboratories throughout the state that have the capability of analyzing criminal evidence from fingerprints to fibers and at two of our facilities we train forensic scientists and technicians. Next year, we will become the fourth state to have a comprehensive automated fingerprint identification system on line.

Our data processing capabilities have allowed us to pioneer using computers for the collecting and analysis of criminal intelligence, and we have used this capability to recover missing children, to locate and apprehend sexual offenders, and to spot patterns of massive fraud among health care providers. The Illinois State Police Training Academy in Springfield not only trains State Police cadets and special agents but offers in-service instruction in police operations and police management to law enforcement agencies across the state.

Our operations have earned national, even international, recognition. The Illinois State Police crime laboratories were the first system in the nation to receive accreditation from the American Society of Crime Laboratory Directors. The Illinois State Police was the first state police organization to meet the demanding standards of the Commission for the Accreditation of Law Enforcement Agencies. We are the first state police agency in the United States to have signed an agreement with Interpol designating us as their conduit for information.

I hope this background will give you a clearer picture of what cooperation among law enforcement agencies involves and the resources that can be brought to bare to address any particular situation. Because of our size and the scope of our operations, we have worked with virtually every federal agency--from the largest to the smallest--that has any investigative authority in Illinois. The Federal Bureau of Investigation, the Secret Service, the Drug Enforcement Administration, Department of Agriculture, Environmental

Protection Agency, Internal Revenue, the State Department, Immigration and Naturalization, Health and Human Services, Education, the Postal Service, Customs, the National Center for Missing and Exploited Children, the Department of Forestry, and the offices of three United States Attorneys have all received our cooperation in their investigations and operations, and we have received theirs.

The nature of assistance and the kinds of cooperation varies depending on where you are in the state. Generally speaking, where there are greater resources available to local, state, and federal authorities, you find more cooperation and more potential for cooperation because of specialization. Because of its huge population, Chicago and the Chicago area naturally has the greatest supply of manpower and materiel for law enforcement. The three major entities, the Chicago Police Department, the State Police, and the federal authorities, exist as three equal partners fighting crime. Because each has sufficient resources and various specialized fields to draw upon, whenever situations have demanded, the City, State, and federal enforcement groups have readily joined forces.

The list of examples is long. The infamous Tylenol killings involved the FBI, a number of suburban police agencies, the Chicago Police Department, the Illinois State Police and the U.S. Department of Health. The Tylenol Task Force developed leads that took in every county in Illinois, every state in the union, and more than thirty foreign countries. That the case remains unsolved in no way speaks against the unified efforts that were utilized, and that still go on, to solve this appalling mass killing.

Another instance is the on-going work of the Terrorist Task Force, a joint effort involving the FBI, the Chicago Police

Department, and the Illinois State Police. The shared intelligence, specialized equipment, and combined manpower of this group is responsible for thwarting FALN plots to destroy government buildings and installations in the Chicago area. Information was developed that led to the identification of a series of FALN "safe houses" and a highly sophisticated covert surveillane system was set up that ultimately disclosed the aims and intended methods of the terrorist group. As a result of this investigation, prison breaks, bombings and killings were averted and the principals of the conspiracy were successfully prosecuted and are in prison. The Task Force has also uncovered a conspiracy between a Chicago street gang, the El Rukns, and the Libyan government to engage in terrorist activities in the United States. The work goes on, involving not only international terrorism but the activities of such domestic right-wing groups as the Ku Klux Klan and the Posse Comitatus.

Federal, state, and local authorities are in active and mutual cooperation, not only in the northern area of Illinois, but in its central and southern regions as well, in major criminal cases involving auto theft rings, stranger and parental abductions, health care and welfare fraud, drug conspiracies, and so forth.

I am aware that in some other states and in certain areas, competition rather than cooperation characterizes the relationships among law enforcement agencies. I am happy to say that is not typical of Illinois. The system works and works well because of the resources that we are able to share. But more than this, our cooperation has enjoyed such successful results because of the dedication and single-minded purpose of the men and women who work in our respective agencies to fight crime.

Senator DIXON. I want to thank you very much, Director Margolis. And may I say there isn't any question, I think, in the minds of the people like Senator DeConcini, and myself, about the outstanding cooperation that does exist in this area. From time to time, we do have things called to our attention, quite obviously, that do concern us.

I would like to ask you about one thing. About 18 months ago, the Chicago Tribune reported that Operation Closing Bell, an effort directed at drug trafficking among traders and brokers at the Chicago Board of Trade, fell far short of expectations and they say this operation failed because the Drug Enforcement Agency misled the Chicago Police Department and the Cook County State's Attorney's Office during the investigation. The prosecutor in the State's attorney's office said, "We got lied to. I don't think we want anything to do with DEA until they decide to answer some questions." This is the article I have reference to, Jerry. Do you know much about that or could you shed any light upon that particular question?

Mr. MARGOLIS. I don't know the specific basis for the particular individuals' comments that are reported. What I can tell you is this, Senator.

Just as with your brothers and sisters in the Senate, there are often personal disagreements. Some of them make sense and some of them make no sense whatsoever. You have those same kind of disagreements within an agency, where one officer, one agent, thinks he has either been betrayed or lied to or not adequately served by his fellow. Those things happen. What we need to do, and what we attempt to do, when these differences arise, is to resolve them, first of all, at the lowest possible level. Second, no real interest is served by the airing of personal disagreements. If an agency, or an entity, is doing something wrong or something inefficiently or something ineffectually or, if citizens are being harmed in some way, that is a matter, I think, for proper public concern. But what troubles me though is, on occasion, for some personal agenda that one may have—"I want to be famous. I want to be promoted"—whatever it may be, people tend to personalize their work and they shouldn't. They don't own it. You don't have a right to do the work. You serve for the public. The authority you discharge as a law enforcement officer is discharged on their behalf. And what I see happen on occasion is that people put their personal agendas and their personal wants and desires in the way of the mission. When we see that happen, we attempt to nip it in the bud. We attempt to resolve those differences at the lowest possible level and, if and, when we find somebody who, for whatever reason, can't work with others or can't work with his own, we attend to that and we move that person elsewhere. There are people who need to work alone. They don't produce the kind of law enforcement success that you see in this photograph that I placed before you. This is a photograph of two FALN bombmakers, making bombs and planning jail breaks. It is taken by concealed cameras in their safe house, listening to them as they are plotting to kill your prison's officials and break Oscar Lopez out of Leavenworth

Penitentiary. You can only put these kinds of technical devices in a terrorist safe house after 9 months of multiagency intensive surveillance. When you put those petty jealousies and concerns aside, and realize that lives are at stake, small people sometimes put great big boulders in our path, and I suggest that is what is indicated by that article and we do everything we can to sweep them aside and get on with the important work.

Senator DIXON. Are you going to be able to stay with us, Jerry?

Mr. MARGOLIS. I certainly am.

Senator DIXON. For a period of time, while we have another group here? Then we will form a panel of the four of you and see if we can develop some answers to some of the questions.

Is it your perception of this so that matter has been ironed out pretty well by now, whatever disagreements did occur?

Mr. MARGOLIS. I believe so. Although I was not involved in that, my observation of the level of cooperation between local prosecutors, including that office of the DEA, is just fine, and thank God for it because, like you say—you know, it sounds like hyperbole when we talk about that, but it is not. Lives are saved by this level of cooperation. It is very important.

Senator DIXON. I would like to ask Mr. William Rosenblatt, Assistant Commissioner for Enforcement; Mr. Richard G. McMullen, regional commissioner, north central region; Mr. Donald Watson, assistant regional commissioner for enforcement, north central region; Stephen E. Higgins, Director, Bureau of Alcohol, Tobacco and Firearms, if they could all come up to the table.

STATEMENTS OF:

STEPHEN E. HIGGINS, DIRECTOR OF THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS, DEPARTMENT OF THE TREASURY

WILLIAM ROSENBLATT, ASSISTANT COMMISSIONER FOR ENFORCEMENT, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

ACCOMPANIED BY:

JIM REEVES, SPECIAL AGENT IN CHARGE, BUREAU OF ALCOHOL, TOBACCO AND FIREARMS, DEPARTMENT OF THE TREASURY

RICHARD G. McMULLEN, REGIONAL COMMISSIONER, NORTH CENTRAL REGION, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

DONALD WATSON, ASSISTANT REGIONAL COMMISSIONER, NORTH CENTRAL REGION, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

Senator DIXON. Director Higgins, you are Stephen E. Higgins, the Director of the Bureau of Alcohol, Tobbaco and Firearms. Thank you for coming to this hearing this morning. I appreciate your cooperation.

STATEMENT OF STEPHEN E. HIGGINS

Mr. HIGGINS. Thank you, Mr. Chairman.

We appreciate the opportunity to appear before you today. All of us in ATF commend you, and Senator DeConcini, for your efforts to heighten the awareness of the American people to the threat posed by violent crime and the efforts being made to eliminate that threat.

Mr. Chairman, with your permission, I have prepared a statement that I would like to introduce for the record and I will just briefly summarize it before taking your questions.

Senator DIXON. I thank you.

Mr. HIGGINS. We feel that ATF is in a unique position to impact on violent repeat offenders, drug traffickers, arsonists, and bombers, because of our jurisdiction over Federal firearms and explosives statutes.

Much in the same manner that the Internal Revenue laws were used to imprison Al Capone, when other efforts had not borne fruit, ATF imposes the firearms laws to target violent offenders who have successfully insulated themselves from prosecution for other criminal activities. For example, in the first three quarters of 1986, 62 percent of the defendants we recommended for prosecution had a history of illegal narcotics activity. We are confident that this percentage will remain constant, if not rise slightly through 1987 and 1988.

In short, with the continued encouragement and support of the Congress and with the vital assistance of State and local law enforcement agencies, ATF will continue to utilize our resources as best we can to ensure the public's safety.

I am accompanied here today by Mr. Jim Reeves, who is the special agent in charge of our Chicago district office. We will be happy to answer any questions you may have.

Thank you.

PREPARED STATEMENT

Senator DIXON. Thank you, Mr. Higgins.

[The statement follows:]

STATEMENT OF STEPHEN E. HIGGINS

It is a pleasure to appear before you today to discuss ATF's law enforcement role in the nation, and specifically our work in the State of Illinois.

Allow me to give you some background on the Bureau of Alcohol, Tobacco and Firearms. We are both a compliance and law enforcement bureau within the Department of Treasury. Our history goes back to 1791 when Alexander Hamilton was Secretary of Treasury and the Congress levied the first Federal tax on the alcohol industry.

Our most noted agent -- Eliot Ness -- gained much of his fame here in your great city.

We have 22 district offices throughout the country, including our office in Oak Brook, headed by Special Agent-in-Charge Jim Reeves. There are 1200 ATF Special Agents nationwide, (over 60 in Illinois,) whose mission is to enforce the Federal firearms, explosives and arson laws.

ATF's hallmark is cooperation with state and local law enforcement agencies. In today's world, with violent crime on the upswing, and tough, sophisticated, well-armed criminals in the street, we believe that law enforcement agencies must work together -- sharing both information and resources. I believe that not only the public safety, but the limited resources of law enforcement around the country demand this joint effort.

ATF's priorities shift with the needs of a particular area. Our Crime Impact Program essentially consists of ongoing discussions among ATF special agents, local and state law enforcement agencies and the appropriate U.S. Attorney's office to determine together how ATF can best use its resources in a specific area. That is, what are the crime problems in that area and where, given our responsibilities, can we make the most impact?

Many of our Illinois cases are textbook models of our mutual attack on crime. For example, in April of 1986, both ATF and the FBI developed information that high-ranking members of the El Rukn street gang were planning acts of terrorism in the United States. The El Rukns -- one of Chicago's most powerful street gangs -- and masters at extortion, prostitution, dealing narcotics and other violent crimes conspired to get money from the Libyan Government to burn or blow up U.S. Government buildings and commercial airplanes.

The joint ATF/Chicago police/FBI investigation and ensuing raid on Chicago's El Rukn headquarters uncovered a stockpile of machineguns, hand grenades, rifles, shotguns, handguns, cocaine, marijuana and a powerful antitank LAW rocket. The agents also sent four gang members to prison where they joined their leader. Five members are also awaiting trial.

An ATF undercover operation has resulted in a measurable impact on organized crime in Chicago. Michael Swiatek, identified by a U.S. Senate subcommittee as a major figure in the Chicago Mafia, was sentenced last year to 20 years in prison for dealing in firearms and explosives. Swiatek, who had once been an enforcer for organized crime, ran the Lombardi Family operation while its namesake served his jail time. The same undercover operation also made certain that Swiatek did not go to prison alone. His associates -- Thomas Bambulas, Edward Pedote and Emil Crovedi -- joined him on his trip. Bambulas is a high-ranking soldier in the Lombardi Family and a DEA Class I narcotics trafficker. In bringing this case to its successful conclusion, ATF worked with the Drug Enforcement Administration, the Department of Labor, the Chicago police and the Illinois State Police.

ATF has spearheaded the drive to fight America's fastest-growing crime -- arson for profit -- a devastating crime which inflicts huge economic damage on taxpapers, businesses and governments alike. Arson can be as simple as the owner of a failing small business hiring a small-town local thug to burn him out for a few hundred dollars or as complex as organized crime paying a professional torch several thousand to systematically defraud insurance companies of millions of dollars.

Arson is perverse crime -- hard to detect and prosecute.

The recent York case in Chicago is an example of a difficult but ultimately successful arson prosecution. It proved once again that circumstantial arson cases can be prosecuted successfully, using ATF's team concept.

On February 5th of this year, a Federal jury in Chicago returned a verdict of guilty against Thomas York. York was convicted of conspiring with Gail Maher to torch the "Just Friends" Lounge. He was a convicted bank robber and could not obtain a liquor license, so he set Maher up in the business using the proceeds from his former wife's life insurance policy. The lounge was a money loser. York decided to burn it down, but not before he had himself named as the beneficiary of a $60,000 fire insurance policy and had Maher obtain a $50,000 life insurance policy naming York as beneficiary.

On the night of the arson, when York and Maher met, York attacked Maher, striking her repeatedly and either killing or critically injuring her. He then loosened a plug from the gas main, set an incendiary device and placed a pipe bomb next to Maher's body. ATF investigated the case for nearly five years, and York was indicted one day before the statute of limitations ran out.

Everyone in the courtroom understood that this case, built entirely on circumstantial evidence, was difficult to prosecute. After the trial, the jury asked Judge Williams if they could meet the two prosecutors. When the two Assistant U.S. Attorneys -- Steve Miller and Alex Vesselinovich entered the jury room, the jury applauded. Over 30 AUSA's were in the courtroom waiting for the result.

ATF has an excellent record of success in Illinois arson arrests. Much of the reason lies with the Chicago Arson Task Force. ATF was the motivating force behind the first arson task force, now operational in 16 major cities. The basic thrust behind the task force is to bring together Federal, state and local arson investigators into one cohesive, effective working team. In Chicago, there are 11 special agents, one agent supervisor, representatives from the Chicago Police and Bomb Squad, the State Fire Marshal's Office, the State Police, the Chicago Fire Department, and the Department of Criminal Investigation.

Another significant arson case in Chicago involved a slum landlord, Ivan Buljabasic, who received one of the most severe prison sentences given for arson by a Federal judge in this city. Buljabasic, a slum landlord, was arrested for his role in an arson-for-profit scheme involving a 43-unit apartment building in uptown Chicago. He was sentenced to 12 years, followed by 5 years probation, fined $41,000 and ordered to pay $4,200 in restitution. Three co-conspirators were convicted and sentenced and a fifth suspect is waiting trial.

Since 1982, there have been five arsons at the Northeast Illinois Women's Center, an abortion clinic in Rockford. David Holman was arrested by ATF for all five.

Nationwide, there have been 60 bombings or arsons at abortion facilities. ATF has made arrests in 38 of the incidents.

ATF is a strong advocate of training -- not only for our own agents but also for those law enforcement agencies with whom we work. In the past year, ATF in Illinois has held over 20 training sessions and seminars for state and local enforcement agencies. The training is generally directed toward the suburban police departments to share our knowledge and skills, and usually revolves around the newest arson and explosives investigative techniques. Some training is given in firearms, especially in the newer and more vicious weapons which Illinois policemen might face in the streets.

On a national basis, ATF also does a considerable amount of training for local and state law enforcement. Several times a year, we offer in-depth courses in Advanced Arson-for-Profit, Advanced Explosives Investigation and Undercover Work at the Federal Law Enforcement Training Center in Glynco, Georgia.

Before I take your questions, I would like to quickly cover the Armed Career Criminal Act -- This law gives muscle to law enforcement efforts to reach the violent, habitual criminal.

It is evident that a small percentage of criminals commit most of the crimes. It is these repeat criminals who are the target of the Armed Career Criminal Act. This Act mandates a minimum 15-year sentence with no parole for criminals with three or more convictions for crimes of violence or serious drug offenses who are later convicted of weapons violations. It has been called the new math -- 3 previous convictions plus 1 weapons convictions equals 15 years in prison.

ATF has begun a new nationwide program -- Project Achilles -- so named because an illegally obtained and possessed firearm is often the Achilles Heel of the major criminal. He needs firearms to conduct his dirty business. Project Achilles is again an ATF-local and state law enforcement project directed toward identifying, investigating and prosecuting those individuals who qualify for the mandatory sentencing. We feel that Project Achilles will make a great impact on street crimes. Not only do we get the recidivist off the streets but the 15-year sentence guarantees he will be in prison during his criminally active years.

We have excellent examples from all parts of Illinois showing the effectiveness of the new legislation. I would like to cite just a few...

Narvel O'Neal, arrested for unlawful possession of a firearm, three convictions for armed burglary, attempted murder, aggravated battery, aggravated assault -- sentenced to 30 years.

Louis Pirovolos, arrested by the Steger Police for unlawful use of a weapon, has an extensive criminal record including murder, rape, armed robberies -- sentenced to 20 years.

Lack of time prevents the listing of additional cases but I am sure you can see by their extensive criminal records that getting these individuals off the streets and into prison for extended periods of time can only serve the good of our society.

Before I close, and on behalf of ATF, I would like to thank the Illinois law enforcement community for their outstanding spirit of cooperation and support in our mutually beneficial relationship.

Thank you, Mr. Chairman. I'll be happy to take questions.

Senator DIXON. Mr. William Rosenblatt, the Assistant Commissioner for Enforcement. We thank you for being here this morning.

STATEMENT OF WILLIAM ROSENBLATT

Mr. ROSENBLATT. Thank you, Mr. Chairman, and Senator Dixon.

I am William Rosenblatt, Assistant Commissioner for Enforcement with the U.S. Customs Service. I'm here as a representative of the Commissioner of Customs, who is unable to be here, and he asked me to appear before you today.

As the Assistant Commissioner of Customs, my office provides policy direction, logistical and technical support, and resource allocation assistance to field enforcement units. In addition, I directly control the Customs Service Air Program, the headquarters office of intelligence, and various headquarters divisions which monitor ongoing investigations conducted by agents in the field who are responsible to local management.

Sitting next to me is Richard C. McMullen, regional commissioner of customs for the north central region. He has operational control of the Customs Service throughout the region over the special agents who investigate violations of law, uniform inspectors who inspect incoming passengers and cargo, import specialists who process a tremendous volume of commercial cargo and ensure that the Nation's tariff and trade laws are complied with, and all the other Customs personnel in the region.

Mr. Chairman, it is my understanding that this hearing is designed to explore a number of issues from a regional perspective. Because my perspective is a national one, because Commissioner von Raab and I have had numerous opportunities to appear before this committee in Washington.

I will yield to the regional commissioner, Mr. McMullen, for purposes of making a formal statement, after which both of us are available to answer your questions.

Senator DIXON. Thank you very much, Mr. Rosenblatt.

Mr. Richard McMullen, the regional commissioner of the north central region. We are delighted to have you here this morning. Senator DeConcini and I thank you for your appearance.

STATEMENT OF RICHARD G. McMULLEN

Mr. McMULLEN. Thank you, Mr. Chairman, and Senator DeConcini.

We welcome you to the region and thank you for the opportunity to testify regarding our enforcement efforts, not only throughout the region but, also, focusing on the Chicago and Illinois area.

Before addressing those efforts, may I just digress for a few moments to express our sincere appreciation for the new and very effective legislation developed through close cooperation between the administration and the Congress, which has significantly enhanced our abilities in the war on crime. Specifically, the Omnibus Crime Control Act of 1984, the Export Administration Act of 1985, and the Anti-Drug Abuse Act of

1986, Controlled Substances Import and Export Penalties Enhancement Act of 1986, Money Laundering Control Act of 1986, and Customs Enforcement Act of 1986, all added truly powerful weapons to our arsenal. Such enhancements markedly increase our effectiveness. For those and all your support, we are sincerely grateful.

The north central region is the largest of the seven regions in the Customs Service. Bounded on the north by Canada, it encompasses all of the 18 States from Idaho, Utah, and Colorado in the West to Ohio and Kentucky in the East. In the South, our region extends to the southern borders of Kentucky, Missouri, Kansas, and Colorado. We even claim the western-most portion of the Commonwealth of Pennsylvania. We also have responsibility of six preclearance stations in Canada, located in Montreal, Toronto, Winnipeg, Edmonton, Calgary, and Vancouver.

To enforce those laws mandated as the responsibilities of the Customs Service in this 1,303,054 square miles, the Customs Service maintains a total force of 1,494 personnel in 94 ports. Of the total staffing, 175 positions are dedicated as full-time investigative, enforcement personnel. This is an increase of 30 percent, because of the Drug Act of 1986. These positions are distributed in 11 existing enforcement offices and 5 new offices to be established not later than August 1987.

One fact that must not be overlooked is that not only is the north central region the largest region geographically but, also, the largest in terms of population. Indeed, twice as many people reside in our region as in any other. Customs-related crimes, like all crimes, are committed by people, whether as violators at a port of entry, as financiers of criminal enterprises, as recipients of illegal imported material or as conspirators in criminal activities. Though the vast majority of our population is honest and hardworking, we do have our share of the criminal element, whether this be the white collar variety or traditional organized crime, who have a propensity for using O'Hare parking lots and Indiana cornfields as disposal areas for those whose performance is deemed to be unsatisfactory by the outfit.

Though our methods may vary, based upon manpower availability and geographical ramifications, our overall efforts are directed to the enforcement priorities of the Customs Service. I might add, at the risk of sounding boastful, we have had marked success.

In the last 2 fiscal years, seizures amounting to hundreds of millions of dollars were effected in this region: Nonnarcotic seizures were $110,349,000; narcotic seizures were $230,979,000; for the Port of Chicago alone, seizures amounted to: Nonnarcotics, $12,481,491 and narcotics, $17,159,770; and Customs officers within this region also seized currency amounting to $5,277,000.

For the fiscal year 1984, to the present, arrests and indictments for all categories in the region constituted 1,021 arrests, 999 indictments; for Chicago, 283 arrests, 236 indictments.

A thumbnail sketch of some of our cases reveals the variety and impact of our enforcement efforts. We have deprived Colonel Qadhafi of spare parts for this C–130 aircraft and helicopters. The Ayatollah has at least two frigates and a number of F–4 Phantoms waiting for parts. The Hungarians will have to opt for more efficient means of processing military data for the Russians and their Eastern bloc allies due to our seizure of extremely sophisticated computers and hardware.

The taxpayers are getting their money's worth after the conviction of an importer who was grinding country of origin markings from substandard tools, remarking them "Made in the USA" and selling them to the U.S. Government agencies under contracts requiring "Buy American."

The Government of Guyana remains stable and numerous Guyanese officials are alive today as a result of a cooperative investigation with the Royal Canadian Mounted Police which culminated in the arrest and conviction of a group of terrorists bent on the violent overthrow of that government.

As a result of a very aggressive investigative initiative with State and local agencies, over 200 pedophiles and child molesters no longer prey on our children.

Commercial fraud cases have not only served to protect our own industries but have also enriched the Treasury of by tens of millions of dollars in criminal fines and civil penalties. These cases have involved a broad spectrum of products including television sets, textiles, steel, roller bearings, cotton gloves, shoes, jewelry, and wearing apparel to name a few.

Millions of dollars in counterfeit merchandise have been removed from the market: Designer jeans, perfumes, auto parts, watches and toys, as well as violations of copyrights held by the U.S. companies.

In cooperation with French customs, local officers and DEA, an attempt to smuggle over 3 pounds of 85 percent pure white heroin through O'Hare Airport was thwarted. A controlled delivery of a substitute load was made to Oklahoma where the violators were arrested.

Cooperation of necessity is the name of the game. State and local agencies, regardless of whether metropolitan or rural in nature, are faced on an ever increasing scale with not only interstate but international crime. It may be narcotics, terrorism, money laundering, cattle rustling, foreign shipment of stolen vehicles and farm implements or kidnaping of children. Customs for 200 years has been the expert in international commerce, whether legal or illegal, and continues to play that role. We can and do provide not only our expertise but, also, assistance on a daily basis to our fellow law enforcement agencies.

From our standpoint, we could not go it alone even if that were our desire, and I assure you it is not. Based on area and population, every Customs enforcement officer in this region is responsible for some 7,000 square miles and some 395,000 persons—not very good odds. Without cooperation as a two-way street, we would fail in our mission. Perhaps the Texas Rangers employed the one ranger, one riot concept, but we prefer at least a slight edge. We, therefore, opt for cooperative efforts and I am confident the State and local agencies feel the same.

Though many of our investigations are unique under the statutes enforced by Customs, we share many common enforcement responsibilities with State and locals. The majority of our cases in areas such as narcotics, child pornography, money laundering, terrorism, and smuggling, involve a State and local agency virtually as an equal partner. Crime touches us all, and the sharing of resources, intelligence, and even communications, more effectively gets the job done.

In furtherance of our cooperative sharing initiative with State and local agencies, we have recently instituted antinarcotics smuggling by aircraft programs with the Kentucky State Police and the Colorado Bureau of Investigation. Resources from the State agencies, in conjunction with county and local agencies, combine with Customs' resources to gather intelligence on air smugglers operating in Kentucky and Colorado. Targets are identified and logistical support is concentrated to effect interdiction and apprehension. Our plans are to expand this type of initiative as resources allow. Kentucky and Colorado were selected primarily for one reason: Each is well within the range of aircraft commonly used by air smuggling organizations.

The Customs' Enforcement Act of 1986 has greatly enhanced the spirit of cooperation with State and local authorities. For the first time, we are able to share seized assets with our counterparts. Not only has this provided much needed resources to the various departments, but it has made the State and local agencies truly full partners in our cooperative efforts. We have presented them with currency, aircraft, and vehicles, to date, and numerous additional requests are even now awaiting forfeiture action.

PREPARED STATEMENT

Senator DIXON. If I may interrupt, Mr. McMullen, your full statement will be placed in the record. If it is not an inconvenience, I thought, perhaps, we might ask others to summarize so that we can develop the information we want accumulated. Do you have any objection?

Mr. MCMULLEN. Certainly not.

Senator DIXON. I think, also, Mr. Watson—you are here, accompanying Mr. McMullen. Is there anything you would like to add to what has been said by Mr. McMullen?

Mr. WATSON. Not at this time, sir.

Senator DIXON. Thank you very much.

[The statement follows:]

STATEMENT OF RICHARD G. MCMULLEN

MR. CHAIRMAN AND MEMBERS OF THE SUB-COMMITTEE. I AM RICHARD McMULLEN, REGIONAL COMMISSIONER, NORTH CENTRAL REGION, U.S. CUSTOMS SERVICE. WE WELCOME YOU TO THE REGION AND THANK YOU FOR THE OPPORTUNITY TO TESTIFY REGARDING OUR ENFORCEMENT EFFORTS NOT ONLY THROUGHOUT THE REGION BUT ALSO FOCUSING ON THE CHICAGO AND ILLINOIS AREAS.

BEFORE ADDRESSING THOSE EFFORTS MAY I DIGRESS FOR A FEW MOMENTS TO EXPRESS OUR SINCERE APPRECIATION FOR THE NEW AND VERY EFFECTIVE LEGISLATION DEVELOPED BY CLOSE COOPERATION BETWEEN THE ADMINISTRATION AND CONGRESS, WHICH HAS SIGNIFICANTLY ENHANCED OUR ABILITIES IN THE WAR ON CRIME.

SPECIFICALLY THE:

- OMNIBUS CRIME CONTROL ACT OF 1984
- EXPORT ADMINISTRATION ACT OF 1985
- ANTI-DRUG ABUSE ACT OF 1986
- CONTROLLED SUBSTANCES IMPORT AND EXPORT PENALTIES ENHANCEMENT ACT OF 1986
- MONEY LAUNDERING CONTROL ACT OF 1986
- CUSTOMS ENFORCEMENT ACT OF 1986

ALL ADDED TRULY POWERFUL WEAPONS TO OUR ARSENAL. SUCH ENACTMENTS MARKEDLY INCREASED OUR EFFECTIVENESS AND FOR THESE AND ALL YOUR SUPPORT WE ARE SINCERELY GRATEFUL.

THE NORTH CENTRAL REGION IS THE LARGEST OF THE SEVEN REGIONS IN THE CUSTOMS SERVICE. BOUNDED ON THE NORTH BY CANADA IT ENCOMPASSES ALL OF 18 STATES FROM IDAHO, UTAH AND COLORADO IN THE WEST TO OHIO AND KENTUCKY IN THE EAST. IN THE SOUTH OUR REGION EXTENDS TO THE SOUTHERN BORDERS OF KENTUCKY, MISSOURI, KANSAS AND COLORADO. WE EVEN CLAIM THE WESTERN-MOST PORTION OF

THE COMMONWEALTH OF PENNSYLVANIA. WE ALSO HAVE RESPONSIBILITY FOR 6 PRECLEARANCE STATIONS IN CANADA LOCATED IN MONTREAL, TORONTO, WINNIPEG, EDMONTON, CALGARY AND VANCOUVER.

TO ENFORCE THOSE LAWS MANDATED AS THE RESPONSIBILITIES OF THE CUSTOMS SERVICE IN THIS 1,303,054 SQUARE MILE AREA THE CUSTOMS SERVICE MAINTAINS A TOTAL FORCE OF 1,494 PERSONNEL IN 98 PORTS. OF THE TOTAL STAFFING 175 POSITIONS ARE DEDICATED AS FULLTIME INVESTIGATIVE, ENFORCEMENT PERSONNEL. THESE POSITIONS ARE DISTRIBUTED IN 11 EXISTING ENFORCEMENT OFFICES AND 5 NEW OFFICES TO BE ESTABLISHED NOT LATER THAN AUGUST 1, 1987. RECRUITMENT AND LOGISTICAL ACTIONS ARE NOW UNDERWAY.

ONE FACT MUST NOT BE OVERLOOKED. NOT ONLY IS THE NORTH CENTRAL REGION THE LARGEST REGION GEOGRAPHICALLY BUT ALSO, THE LARGEST IN TERMS OF POPULATION. INDEED TWICE AS MANY PEOPLE RESIDE IN OUR REGION AS IN ANY OTHER. CUSTOMS RELATED CRIMES LIKE ALL CRIMES ARE COMMITTED BY PEOPLE WHETHER AS VIOLATORS AT A PORT OF ENTRY, AS FINANCIERS OF CRIMINAL ENTERPRISES, AS RECIPIENTS OF ILLEGALLY IMPORTED MATERIAL OR AS CONSPIRATORS IN CRIMINAL ACTIVITY. THOUGH THE VERY VAST MAJORITY OF OUR POPULATION IS HONEST AND HARDWORKING, WE DO HAVE OUR SHARE OF THE CRIMINAL ELEMENT WHETHER THIS BE THE WHITE COLLAR VARIETY OR TRADITIONAL ORGANIZED CRIME WHO HAVE A PROPENSITY FOR USING O'HARE PARKING LOTS AND INDIANA CORNFIELDS AS DISPOSAL AREAS FOR THOSE WHOSE PERFORMANCE IS DEEMED TO BE UNSATISFACTORY BY THE OUTFIT.

THOUGH OUR METHODS MAY VARY BASED UPON MANPOWER AVAILABILITY AND GEOGRAPHICAL RAMIFICATIONS, OUR OVERALL EFFORTS ARE DIRECTED TO THE ENFORCEMENT PRIORITIES OF THE CUSTOMS SERVICE. AND, I MIGHT ADD, AT THE RISK OF SOUNDING BOASTFUL, WE HAVE HAD MARKED SUCCESS!

IN THE LAST TWO FISCAL YEARS SEIZURES AMOUNTING TO HUNDREDS OF MILLIONS OF DOLLARS WERE EFFECTED IN THIS REGION:

NON-NARCOTIC - $110,349,000.00
NARCOTICS - $230,979,000.00

FOR THE PORT OF CHICAGO ALONG SEIZURES AMOUNTED TO:

NON-NARCOTIC - $ 12,481,491.00
NARCOTICS - $ 17,159,770.00

*VALUE IS BASED UPON STREET VALUE AS DETERMINED BY THE DRUG ENFORCEMENT AGENCY.

WE HAVE DEPRIVED COLONEL KHADAFY OF SPARE PARTS FOR THIS C-130 AIRCRAFT AND HELICOPTERS.

THE AYATOLLAH HAS AT LEAST TWO FRIGATES AND A NUMBER OF F-4 PHANTOMS WANTING OR PARTS.

THE HUNGARIANS WILL HAVE TO OPT FOR MORE INEFFICIENT MEANS OF PROCESSING MILITARY DATA FOR THE RUSSIANS AND THEIR EASTERN BLOC ALLIES DUE TO OUR SEIZURE OF EXTREMELY SOPHISTICATED COMPUTERS AND HARDWARE.

THE TAXPAYERS ARE GETTING THEIR MONEY'S WORTH AFTER THE CONVICTION OF AN IMPORTER WHO WAS GRINDING COUNTRY OF ORIGIN MARKINGS FROM SUB-STANDARD TOOLS, REMARKING THEM MADE IN THE USA AND SELLING THEM TO U.S. GOVERNMENT AGENCIES UNDER CONTRACTS REQUIRING "BUY AMERICAN".

THE GOVERNMENT OF GUYANA REMAINS STABLE AND NUMEROUS GUYANESE OFFICIALS ARE ALIVE TODAY AS A RESULT OF A COOPERATIVE INVESTIGATION WITH THE ROYAL CANADIAN MOUNTED POLICE WHICH

CULMINATED IN THE ARREST AND CONVICTION OF A GROUP OF TERRORISTS BENT ON THE VIOLENT OVER-THROW OF THAT GOVERNMENT.

AS A RESULT OF A VERY AGGRESSIVE INVESTIGATIVE INITIATIVE WITH STATE AND LOCAL AGENCIES OVER 200 PEDOPHILES AND CHILD MOLESTORS NO LONGER PREY ON OUR CHILDREN.

COMMERCIAL FRAUD CASES HAVE NOT ONLY SERVED TO PROTECT OUR OWN INDUSTRIES BUT HAVE ALSO ENRICHED THE TREASURY BY TENS OF MILLIONS OF DOLLARS IN CRIMINAL FINES AND CIVIL PENALTIES. THESE CASES HAVE INVOLVED A BROAD SPECTRUM OF PRODUCTS INCLUDING TELEVISION SETS, TEXTILES, STEEL, ROLLER BEARINGS, COTTON GLOVES, SHOES, JEWELRY AND WEARING APPAREL TO NAME A FEW.

MILLIONS OF DOLLARS IN (COUNTERFEIT) MERCHANDISE HAVE BEEN REMOVED FROM THE MARKET: DESIGNER JEANS, PERFUMES, AUTO PARTS, WATCHES AND TOYS AS WELL AS VIOLATIONS OF COPYRIGHTS HELD BY U.S. COMPANIES.

IN COOPERATION WITH FRENCH CUSTOMS, LOCAL OFFICERS AND DEA, AN ATTEMPT TO SMUGGLE OVER 3 LBS. OF 85% PURE WHITE HEROIN THROUGH O'HARE AIRPORT WAS THWARTED. A CONTROLLED DELIVERY OF A SUBSTITUTE LOAD WAS MADE TO OKLAHOMA WHERE THE VIOLATOR WAS ARRESTED.

COOPERATION OF NECESSITY IS THE NAME OF THE GAME. STATE AND LOCAL AGENCIES REGARDLESS OF WHETHER METROPOLITAN OR RURAL IN NATURE ARE FACED ON AN EVER INCREASING SCALE WITH NOT ONLY INTERSTATE BUT INTERNATIONAL CRIME. IT MAY BE NARCOTICS, TERRORISM, MONEY LAUNDERING, FOREIGN SHIPMENT OF STOLEN VEHICLES AND FARM IMPLEMENTS OR KIDNAPPING OF CHILDREN. CUSTOMS FOR 200 YEARS HAS BEEN THE EXPERT IN INTERNATIONAL COMMERCE WHETHER LEGAL OR ILLEGAL AND CONTINUES TO PLAY THAT ROLE. WE CAN AND DO PROVIDE NOT ONLY OUR EXPERTISE BUT ALSO ASSISTANCE ON A DAILY BASIS TO OUR FELLOW LAW ENFORCEMENT AGENCIES.

FROM OUR STANDPOINT WE COULD NOT "GO IT ALONE" EVEN IF THAT WERE OUR DESIRE. AND I ASSURE YOU IT IS NOT! BASED ON AREA AND POPULATION EACH CUSTOMS ENFORCEMENT OFFICER IN THIS REGION IS RESPONSIBLE FOR SOME 7,446 SQUAREMILES AND SOME 395,409 PERSONS. NOT VERY GOOD ODDS! WITHOUT COOPERATION AS A TWO WAY STREET WE WOULD FAIL IN OUR MISSION. PERHAPS THE TEXAS RANGERS EMPLOYED THE "ONE RANGER, ONE RIOT" CONCEPT BUT WE PREFER AT LEAST A SLIGHT EDGE. WE THEREFORE OPT FOR COOPERATIVE EFFORTS AND I AM CONFIDENT THE STATE AND LOCAL AGENCIES FEEL THE SAME.

THOUGH MANY OF OUR INVESTIGATIONS ARE UNIQUE UNDER THE STATUTES ENFORCED BY CUSTOMS WE SHARE MANY COMMON ENFORCEMENT RESPONSIBILITIES WITH STATE AND LOCALS. THE MAJORITY OF OUR CASES IN AREAS SUCH AS NARCOTICS, CHILD PORNOGRAPHY, MONEY LAUNDERING, AND TERRORISM, SMUGGLING INVOLVE A STATE OR LOCAL AGENCY VIRTUALLY AS AN EQUAL PARTNER. CRIME TOUCHES US ALL, AND THE SHARING OF RESOURCES, INTELLIGENCE AND EVEN COMMUNICATIONS MORE EFFECTIVELY GETS THE JOB DONE.

IN FURTHERANCE OF OUR COOPERATIVE SHARING INITIATIVE WITH STATE AND LOCAL AGENCIES WE HAVE RECENTLY INSTITUTED ANTI-NARCOTICS SMUGGLING BY AIRCRAFT PROGRAMS WITH THE KENTUCKY STATE POLICE AND THE COLORADO BUREAU OF INVESTIGATION. RESOURCES FROM THE STATE AGENCIES IN CONJUNCTION WITH COUNTY AND LOCAL AGENCIES COMBINE WITH CUSTOMS RESOURCES TO GATHER INTELLIGENCE ON AIR SMUGGLERS OPERATING IN KENTUCKY AND COLORADO. TARGETS ARE IDENTIFIED AND LOGISTICAL SUPPORT IS CONCENTRATED TO EFFECT INTERDICTION AND APPREHENSION. OUR PLANS ARE TO EXPAND THIS TYPE OF INITIATIVE AS RESOURCES ALLOW. KENTUCKY AND COLORADO WERE SELECTED PRIMARILY FOR ONE REASON: EACH IS WELL WITHIN THE RANGE OF AIRCRAFT COMMONLY USED BY AIR SMUGGLING ORGANIZATIONS.

THE CUSTOMS ENFORCEMENT ACT OF 1986 HAS GREATLY ENHANCED THE SPIRIT OF COOPERATION WITH STATE AND LOCAL AUTHORITIES. FOR

THE FIRST TIME WE ARE ABLE TO SHARE SEIZED ASSETS WITH OUR COUNTERPARTS. NOT ONLY HAS THIS PROVIDED MUCH NEEDED RESOURCES TO THE VARIOUS DEPARTMENTS BUT IT HAS MADE THE STATE AND LOCAL AGENCIES TRULY FULL PARTNERS IN OUR COOPERATIVE EFFORTS. WE HAVE PRESENTED CURRENCY, AIRCRAFT, AND VEHICLES TO DATE AND NUMEROUS ADDITIONAL REQUESTS ARE EVEN NOW AWAITING FORFEITURE ACTION.

IN ADDITION TO CASE BY CASE OPERATIONS WE PARTICIPATE AS AN EQUAL PARTNER WITH OTHER FEDERAL, STATE AND LOCAL AGENCIES IN THE FOLLOWING:

- ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCES
- ORGANIZED CRIME STRIKE FORCES
- CHILD PORNOGRAPHY TASK FORCES
- FINANCIAL CRIME TASK FORCES
- INTELLIGENCE GATHERING AND SHARING

WE ARE BUSY, VERY BUSY. EVERY RESOURCE IS DIRECTED AT AND FOCUSED UPON THE SERVICE PRIORITIES;

- NARCOTICS INTERDICTION
- ILLEGAL TECHNOLOGY AND MUNITIONS TRANSFERS
- COMMERCIAL FRAUD
- CURRENCY SMUGGLING
- CHILD PORNOGRAPHY

LEAVING OUR PLATE QUITE FULL. COUPLED WITH SPECIAL REQUIREMENTS SUCH AS THE PAN AMERICAN GAMES, THE WINTER OLYMPICS IN CALGARY, AND SUPPORT TO SECRET SERVICE IN THE UP-COMING PRESIDENTIAL ELECTION YEAR, OUR ENFORCEMENT RESOURCES AT TIMES GET STRETCHED PRETTY THIN. YET WE SOMEHOW FIND THE TIME AND MANPOWER TO REMAIN PRO-ACTIVE AS WELL AS REACTIVE THANKS TO AN EXEMPLARY GROUP OF DEDICATED CUSTOMS PEOPLE MANNING OUR FAR FLUNG PORTS. THEY MAKE IT WORK.

THANK YOU MISTER CHAIRMAN AND I WILL BE PLEASED TO ANSWER ANY QUESTIONS THE SUB-COMMITTEE MAY HAVE.

Senator DIXON. And, Mr. McKenzie, you are with——

Mr. MCKENZIE. I have nothing to add.

Senator DIXON. Thank you, Mr. McKenzie.

Senator DeConcini, would you begin the questioning, then.

Senator DECONCINI. Yes; thank you, Mr. Chairman.

Mr. Higgins, let me ask you a few questions. Actually, I'm very pleased with the information Mr. Margolis has given us here on the cooperation, and that is encouraging. I must say that for the few years I have been holding hearings around the country, the cooperation between Federal and State law enforcement officials is improving. It is a credit to the Federal agencies, as well as the State and local agencies.

As you know, I am very sensitive to the local law enforcement cooperation issue. It appears that in Illinois the cooperation is indeed, perhaps, the best I have heard and I understand the State and local law enforcement have relied heavily on the BATF for assistance in firearm, explosive, and arson investigations and, also, for helping in firearms tracing cases. And yet the information shows in your estimated fiscal 1988 that the BATF's Midwest special agents staffing will be at a level of nearly 20 percent below your fiscal 1978 staffing level. How are you going to cope with this fine record that you have developed here, if you are going to have a 20-percent reduction over the last year or so?

Mr. HIGGINS. Thank you for your kind words about our activities. As you know, given the level of our resources, we simply couldn't be effective without being able to work closely with other agencies.

As you probably also know, in the late 1970's, Bureau staffing exceeded 4,100 employees. As of this past year, it was 2,943. We had suffered a decrease in overall staffing of 30 percent. Thanks to your support and that of others, we have grown for the last 2 or 3 years and we are continuing to grow. I think this year we will number about 3,200 employees.

Senator DECONCINI. What does that mean for this area?

Mr. HIGGINS. Jim Reeves' case is like that of each of our district offices. He asks for resources he thinks he will need in his area, based on his specific crime problems. Although his office is growing, I am sure we haven't given him as many agents as he feels he requires but, we have given him all that we can afford. He may want to comment.

Senator DECONCINI. Will you have additional people next year, Mr. Reeves?

Mr. REEVES. Yes, sir; in fact, I have been pleasantly surprised during the last few months. We were able to hire an additional 23 agents in this district alone here in Chicago.

Senator DECONCINI. How many are on board now?

Mr. REEVES. We have 10 on board, as of today, and the others will be on board within the next 60 days.

Senator DECONCINI. What does it look like for 1988 for you?

Mr. REEVES. We're hoping that additional positions will be allocated.

Senator DECONCINI. What is your tie to the local law enforcement? Do you have a task force? Do you have a liaison group?

How do you work with these people? Do you wish to be called or are you there?

Mr. Reeves. No, sir; we are here and we have been part of the drug task force in Chicago. We also have the arson task force, which, I think, is the best in the country and we have an organized crime group. We work especially well with the State and local agencies——

Senator DeConcini. Let me ask you this embarrassing question. Do you have enough people to do the job that is expected of you here?

Mr. Reeves. No, sir.

Senator DeConcini. What would you need, if you had the maximum that you could supervise, to handle the cases on the usual professional basis?

What is that maximum?

Mr. Reeves. Well, right now we have around 65 agents. If we increased our staff by approximately 20 to 25 percent, it would certainly help us perform our jobs much better.

Senator DeConcini. That would be of assistance to the local task forces, obviously?

Mr. Reeves. Yes, sir.

Senator DeConcini. Are some of those assigned to the task forces? Do they actually work with the task forces?

Mr. Reeves. Yes; with our arson task force, we have two full-time officers in Chicago, as well as the State police. And in the drug task force, we have two officers, also, in Chicago.

Senator DeConcini. Now, Mr. Margolis, in response to that kind of question, you lay out a very pleasant testimony here, for a change. When you tell me about the local side of it, you indicate that there is tremendous cooperation from the Federal agencies. What do you see?

Is there a need for greater infusion of Federal personnel and assets here or do you think it is working well enough?

Mr. Margolis. Well, it is never working well enough.

My department has approximately 3,400 employees, which seems like a lot until you consider the length and breadth of the State and the nature of the multifacet responsibilities that we have: Patrol, investigations, rescue work, air work. There is no doubt but that, depending upon the geographic area and depending upon the specific law enforcement task that faces us, we may have enough resources one day and we may not have enough resources another day. It really depends upon the area to which you are looking and the timeframe within which you are looking.

One of the reasons why law enforcement cooperation of the informal, kind of loose arrangement that we may have, if we call up our local BATF agents, we get a bunch of weapons run immediately because we need it now or the very structured formal, full-time sharing partnership of the terrorist task forces. It depends upon the nature of the work. The beauty of cooperation is that as the priorities change, as the problems change, you can ebb and flow and dovetail your resources in the most professional and productive way possible.

Senator DeConcini. Do they have enough personnel to work with the local authorities in this very, very, important area?

Mr. Margolis. I think they could properly use andemploy additional personnel to support local departments in arson that don't have the expertise and ability to do it. The State police, for example, from my perspective—I don't come to you and plead for more ATF agents to help me work arson cases. Our investigative division has close to 500 agents now and I have the manpower that I need to investigate arsons and we get the support and resources from ATF that we need, as we need it.

I do think that local law enforcement in small towns, and counties, might be better served, if there were some additional resources available. I can look at the situation the way it is because of the size of my agency. I think others would appreciate the assistance.

Senator DeConcini. Mr. McMullen, while I am on the question of personnel, if the Congress approved President Reagan's budget plan for fiscal 1987–88, Customs would lose nearly 2,000 employees, and according to the tape that was given to us prior to the hearing, the north central region work force dropped from 1,310 in 1984 to 1,089 currently. That represents a cut of 10 percent or 121 positions. Your statement says that the work force in the north central region now stands at 1,494 personnel. I hope you are right and maybe you can explain the difference here and tell us at what level and what this would particularly mean in the Chicago area at Customs right now. What would happen if, in fact, the President's budget requests were approved?

Mr. McMullen. First, let me explain the difference between the figures. The 1,494, when we get all our slots filled, that's where we will be at.

Senator DeConcini. When will that be?

Mr. McMullen. We hope to have that done probably sometime in August, late August, at which time we should have everybody on board and be operating at fully authorized levels.

One of the major increases is in the enforcement area with the 1811, the guntoting investigator person, and we have had our biggest increase there in the last 5 years. It will be close to a 30-percent increase in bodies. We will be up to 175. We will have support staff on board to assist in those areas, also. We have had less of an increase in our inspector and import specialist ranks. That is somewhere between a 4- and 5-percent increase.

If we don't get the numbers——

Senator DeConcini. What is going to happen in 1988——

Mr. McMullen. If we don't get the numbers, then we are going to have to address the issue. Enforcement levels must be maintained to support our major goals in narcotics interdiction and other enforcement priorities. We would have to adjust accordingly.

Senator DeConcini. The commercial area would suffer, then?

Mr. McMullen. The commercial group would have to suffer even though we are attempting and we are enhancing our position with automation and other ways to move the merchandise and do our job better.

Senator DECONCINI. And you kind of feel threatened in the commercial area, with things getting packed here and not being able to inspect everything presented, the market goods, the counterfeit goods, and what have you.

Mr. MCMULLEN. It certainly is. As our statement has pointed out, we have an awful lot of enforcement effort from the standpoint of areas of fraudulent importations in steel, textiles, and so forth; yes.

Senator DECONCINI. In other words, you need these positions that they have given you in 1987 and, hopefully, you will be able to supplement or maintain the level of forces that you have now, both in commercial and the interdiction area?

Mr. MCMULLEN. Exactly. Exactly, Senator.

Senator DECONCINI. Mr. Higgins, let me revert to you.

The explosives enforcement programs, which conduct active investigations of criminal bombings and the purported theft of explosives, also provide assistance to the training of State and local law enforcement agencies. They are filing criminal activities. I understand that during 1985 to 1986, the midwest region recorded 188 bombings, or attempted bombings, and 9,283 pounds of explosives were illegally diverted, and 44 reported thefts.

Can you give us some specifics of how BATF is working with the State and local law enforcement on explosive enforcement programs? Cite a couple of these cases for the record.

Mr. HIGGINS. Let me give you a general idea of how we provide support. We do it in a number of ways, other than direct investigative support, which has been outlined. We conduct training activity for State and local personnel at the Law Enforcement Training Center in Glynco or in seminars in the local communities. For example, so far we have trained over 500 State and local firemen and police personnel in advance arson-for-profit investigations. We have also been piloting and have successfully completed classes for State and local prosecutors, to foster a better understanding of the arson statutes and how those statutes might be used to get these individuals off the streets. We have trained 89 prosecutors in the last couple of years and we have three more seminars planned for this year. These are just some of the classes that we have held; we have a large commitment to training.

If you want to identify cooperative local investigations, I can ask Mr. Reeves to give you some examples.

Mr. REEVES. One thing I might add——

Senator DIXON. Now, Mr. Reeves, I didn't identify for the record who you are, but you are Jim Reeves, special agent in charge, is that it? Is that the title that you use?

Mr. REEVES. Yes; in the Chicago district.

One thing, too, I would like to bring up, relative to training, is the national organization, the International Association of Law Technicians and Investigators. I am happy to say we just formed a chapter here which comprises all of the State, local, and Federal agencies throughout Illinois. We will have our first official meeting in September.

In the area of training, we have just started our first one week of explosives school down at Champaign, Urbana, at the University of Illinois Police Training Institute. We plan to put on at least two of these particular schools each year in the State of Illinois.

As far as some of the local investigations are concerned, we have worked with the Chicago Police Department on several major explosives investigations. One of them involved Dr. Moran, a local dentist, and Mr. Auburn, a posse comitatus associate. They were convicted for four bombings, one of which was the IRS office building out at Lumbar. Mr. Auburn received a 20-year sentence and Mr. Moran got 10 years.

Senator DECONCINI. When did that occur?

Mr. REEVES. This happened just this last year.

Senator DECONCINI. 1986?

Mr. REEVES. Yes; and along with that, Mr. Moran also had a cache of firearms which contained a number of machineguns and LAW rockets.

Senator DECONCINI. Can you go over any of these reference points? They are tied to a local group here, I was told. El Rukns, I believe.

Mr. REEVES. Yes, sir; the one on my immediate right is not the particular piece of evidence, but it is one just like it. It is a light antitank weapon, otherwise known as a LAW rocket. I really can't discuss this particular investigation too much, but I would be glad to talk to you about it in executive session. We have worked very closely with the FBI. This particular rocket was, in fact, bugged with a beeper. A purchase was made. The firearm was backtracked to one of their safe houses and when the search warrants were executed, we came up with approximately 35 firearms, including several machineguns, as well as the LAW rocket. Six people were arrested in that particular case.

Senator DECONCINI. Where would a rocket like that come from?

You supplied it, obviously, in the case, but where would the black market get that kind of a rocket?

Mr. REEVES. LAW rockets come from the military, originally. Many are, in fact, stolen or smuggled off the military bases. The LAW rockets that we have were acquired by undercover purchases.

Senator DIXON. Believe it or not, Mr. Reeves, I am a member of the Armed Services Committee and we find that a very, very high percentage of our inventory disappears every year. I am sure that is an example of what happens to it.

Is that your experience that a good deal of the inventory from military bases surreptitiously ends up in the hands of the criminal element around the country?

Mr. REEVES. There is no question about that.

Senator DIXON. Have we ever developed that and been able to tie in the kind of black market experience that must be going on around the country to obtain those illegal firearms?

Mr. REEVES. We have quite a few statistics on this, going back over the years. We have been working more closely with our military counterparts, especially the Naval Investigative Services.

Mr. HIGGINS. We have a number of ongoing cases with the Criminal Investigative Command. It is no exaggeration to say that they are extremely sensitive to the problem and are working very hard on it. I believe the situation is considerably better than it was.

Senator DIXON. I would like to ask all of you on this panel: What is there that you feel that we can do legislatively to strengthen your hand?

Mr. McMullen, I think, was very helpful in his statement, which I had read prior to the hearing, in outlining a variety of pieces of legislation that have been passed almost contemporaneously in the last several years that have been useful to all of you in your law enforcement efforts.

Could you suggest other things we might do? For instance, Senator DeConcini and I have been very active in trying to expand the use of our military lawyers on the high seas in connection with interdiction of drugs.

From the perspective of the Customs people, is that kind of thing helpful to you?

Mr. MCMULLEN. It certainly is. I happened to spend 90 days down in Houston, in the southwest region, just recently, January through March, and so I got a good flavor of the involvement that the military can play, in an alliance mode, the other, the approach of dealing with them from such a standpoint I think cooperative efforts with the military would be very beneficial. And I think that certainly the overflow into our region eventually will be beneficial.

Senator DIXON. Some of us think that with all the surveillance craft we have, all the ships on the seas, all the military personnel who are always in some stage of manuevers or other activities, that we could usefully employ many of those people and help the law enforcement agencies. Do you believe that is the case or do you believe that it would not be of any great assistance?

Mr. MCMULLEN. I certainly do believe it will be an assistance. It has been proven in the Southwest and the Southeast, and we have already had some contact with the same groups, hopefully, to give us assistance up along the northern border and the Great Lakes area.

Senator DIXON. We sometimes wonder why there is so much resistance in the Department of Defense to expanding their role. Other than the Coast Guard, really, there isn't much of a useful part being played by our military, notwithstanding the vast numbers and all the equipment that is available.

Do you have any comment on that, Mr. Rosenblatt?

Mr. ROSENBLATT. Senator Dixon, as you are well aware, there is excellent cooperation right now with the military. The question of how much money, or how much resources or additional resources, they can put into the war on drugs deals with the issue of military readiness. As a law enforcement official, I am not sure what that particular dividing line is. I have to respect their judgment as to where that line falls on military readiness. But, you know, as a matter of record, they have been very cooperative and I think that cooperation is improving. Whether it could be improved further down, by all means, it can. I think when all the assets that have been placed in the Anti-Drug Act, insofar as the aerostats and the conversion and the modification of the P–3's, an air interdiction, and all the other resources, all the other agencies are getting, I think then, for the first time in a long time, we are going to see at what level of effectiveness we are going to be at relative to the drug interdiction and then we are going to have to determine whether or not we need more or we have to change our tactics.

Senator DIXON. Is the major source of drugs in the Chicago market a Mexican source of drugs that comes in here, Mr. McMullen? Can you answer that?

Mr. MCMULLEN. I think the bulk of our problem is comes in through the Southwest and Southeast and on up here. I think when we look at the heroin aspect, then I think Asia is the source, both Southeast and Southwest Asia. We do have documented cases. To what degree, I am not positive. Mr. Watson can expand on this.

Senator DIXON. Mr. Watson?

Mr. WATSON. Based upon our assessments, Senator Dixon, it would appear that cocaine is from the Southeast and the marijuana, and a significant portion of the heroin, from the Mexican Southwest regions of our Nation. But still, at the same time, we see a very marked threat from the Middle East, especially in our Detroit and Cleveland areas where we have made significant seizures of heroin.

Right here at O'Hare, the Nigerian problem is very serious, as is the Middle East and, again, Lebanese problem, as far as heroin is concerned.

We serve a unique supply source for Canada, too. This particular region is the staging area for narcotics going to Canada and our counterparts in Canadian law enforcement, Canada customs, the Royal Canadian Mounted Police, are aware that the United States and, specifically, our Customs region, with two-thirds of the United States-Canada border serves not only as supply source but a staging area for the narcotics going into Canada. And we, hopefully, are the recipients of some of the illegal moneys which we seize along the border, coming from Canada to purchase those narcotics.

Senator DIXON. One of you in your report to us, and we have read all this before the hearing this morning, indicated a figure that astounded me, suggesting that 84 percent of the marijuana that is eradicated in the country is in the five Midwestern States. In the five Midwestern States, is that possible? It seems extraordinary.

Mr. WATSON. I had a conversation with Lieutenant Adams of the Kentucky State Police last week and I understand he, and the commissioner of the Kentucky State Police are going back to the White House next month to receive the honor, I guess, of leading the United States in marijuana eradication in July. The State of Indiana led the Nation last year, as far as domestic marijuana. They will be there July 27 in one of their new helicopters and then be returning immediately.

Senator DIXON. Tell me how that is done. Where do they grow it? I am told in cornfields and things like that. Is that right? Where do they grow the marijuana?

Mr. WATSON. I think I had better defer to Jeremy. We are in the international business. Jeremy is more in the domestic business.

Mr. MARGOLIS. I am out in the cornfield, Senator, right outside your home town.

Illinois, also, shares the dubious distinction of being a major grower, and producer, of marijuana. The problem began in World War II when individuals were licensed to grow the hemp plant to provide rope for the war effort. Illinois, Kentucky, and Indiana have a climate which is very beneficial and favorable to the marijuana plants and the whole family of foliage, and we now have really a multifaceted problem. You have the wild marijuana, which we call ditch-weed, that is just the grandchildren of the World War II hemp producers and we also have cultivated marijuana. The Illinois State Police, with DEA support, has operated Operation Cash Crop for about 4 years now. We have eradicated over 2 million plants worth millions of dollars. One top quality Sensemilla plant has a worth of thousands because of the nature of the offspring and what it can produce.

We use aircraft to spot these fields. I just observed some of our people who work with the Illinois National Guard that then go through the sometimes very, very rough underbrush and country to either spray it with glyphosate to eradicate it or sometimes literally find the actual plant and chop it down and then burn it.

Senator DIXON. Two questions, if I may interrupt.

Mr. MARGOLIS. Yes.

Senator DIXON. How do you establish site or, that is, knowledge by the individual of the presence of this illegal plant on their property? Is that difficult to do?

Mr. MARGOLIS. It depends upon the nature of the operation. When we find them growing it in hot houses. They have oftentimes moved into hot houses.

Senator DIXON. I guess that would be pretty obvious, if they have a hot house.

Mr. MARGOLIS. Senator, we have literally examined utility bills to determine that the utility bills of a particular farm, or entity, are so out of whack with what you would normally expect—and they are not exporting orchids-that they are growing huge quantities, multimillion dollar quantities of Sensemilla. When you have that situation, it is easy to prove your intent.

We find situations where they tend it, they water it, they care for it, and they booby trap it. So we don't necessarily run in like the cavalry and chop it all down. Sometimes we lay in the weeds, so to speak, observe what they do, use all sorts of modern surveillance techniques and devices to record what they do, and when we have the evidence then we destroy their plants and arrest them and lock them up. It is a major problem. It is one area in which we have——

Senator DIXON. You need a court order, I take it, to go onto their property and to do that sort of thing?

Mr. MARGOLIS. Absolutely.

Senator DIXON. Sure.

Mr. MARGOLIS. Oftentimes, they are poaching themselves and other people's property and we may have to get the consent of the lawful owner and, sometimes, it is on public land. That is one area where cooperation in funding really makes a difference.

Senator DIXON. I will ask you all. That question I asked of Mr. Margolis, was that an isolated instance in the opinion of all of you? I get the sense that all of you are very satisfied with the cooperation at the local, State, and Federal levels.

I had indicated something that happened about 18 months ago. There was a big article in the Chicago Tribune about it. Would you say that that is, generally speaking, an unusual or an aberration, let's say, in connection with your usual experience here?

Mr. WATSON. I think, Senator, unusual and inflated.

Senator DIXON. You don't mean to imply, Mr. Watson, that the press would suggest something that was slightly inflated?

Mr. WATSON. I'll let Jeremy answer.

Mr. MARGOLIS. My former friend.

Senator DECONCINI. Mr. Chairman, let me go to Mr. McMullen. I want to ask a couple of specific questions on some weapon sales from some material that was given to the committee prior to the hearing. You cite the 1984 cases where five men were indicted for illegal importation of F–5 aircraft parts, naval engine, radar parts, and other equipment to Iran through London. Apparently Customs made a switch by substituting 52 pounds of Love-me-Tender dog food for the seized F–5 parts and traced the delivery to Iran, via Iran Air to the Iranian navy in Bandar-Abbas. Can you give us some background on this case? I know that the defendants are Mr. William Fowler and George Veto. They received very light sentences. What's happening to the sentencing? Was the case not that strong? Is the judicial system just not that aware of the significance of these cases? And how successful is Exodus in this part of the country? I know that is a very broad question, but could you address the specific case and then largely as to Exodus mostly?

Mr. MCMULLEN. What I will do is let Mr. Watson answer that. Mr. Watson was very closely involved with that particular case, I know. He was, at that time, in his present position and when the case was under investigation he was the special agent in charge of the Chicago district office.

Mr. WATSON. The particular case you reference, Senator, involved a company here in Chicago named Mapex. They were dealing through, if you will, a finder in London who was doing business for the Iranians. In this particular situation, F–4 parts were wanted desperately by the Iranians. Intelligence had been provided that the F–4 Phantoms of the Iranian air force were running out of parts and were actually on the ground. Additionally, parts were required for two of their gunboats, about the size of frigates. Mapex, strictly for profit—there was no other reason—wanted to make money and actually had in their possession Iranian military procurement documents which assisted us markedly. We seized as evidence an Iranian document from the Iranian military saying, "We need the parts," and it was interesting because we were actually able to identify the two vessels and, at the time of trial, actually show pictures of the two actual vessels the parts were needed for.

As far as sentencing was concerned, we convicted them and then experienced the usual light sentencing pattern seen time and time again. I don't think we are getting some of the sentences that we would like to see which would provide not only punishment but deterrant.

Senator DIXON. Why is that, Mr. Watson?

Mr. WATSON. I don't know, Senator. Maybe someone is just not taking it very seriously.

Senator DECONCINI. Perhaps more education or something is needed by the judiciary as to the significance of these cases.

We were given materials which also cite a 1982 case where three individuals, and a corporation, were convicted of attempting to export 17 million dollars' worth of C–130's, L10–11's, and CH–47 Chinook helicopter parts to the Libyan air force.

Mr. WATSON. Yes, sir; that was TENCOM sending the parts directly to Colonel Qadhafi.

Senator DECONCINI. And little stiffer penalties, I understand, were meted in that case. I am not trying to pass judgment but is it a problem that the judiciary, perhaps, doesn't realize the significance of these cases versus an arson or a bombing of an abortion clinic or taking off several hundred pounds of cocaine? It is pretty dramatic to see that kind of stuff.

I just wonder if you have an opinion as to what can be done to raise that awareness or where you think the problem is. Maybe stiffer penalties?

Mr. Watson. I think there is no question, stiffer penalties.

Senator DECONCINI. Mandatory penalties?

Mr. WATSON. Mandatory. You took the word right out of my mouth, Senator.

Senator DIXON. My colleague and I are cochairmen, along with Senator D'Amato of New York, of an Antiterrorism Caucus in the U.S. Senate. We think the evidence is pretty clear that Libya, Syria, and Iran are the main players in that international terrorism.

I know, incidentally, Mr. Higgins, of a lot of work that you folks have done. I don't know how much you are able to publicly talk about in connection with the El Rukns and their association with Lybia.

Is it your experience, as my colleague from Arizona has indicated, that the courts are not very concerned about those problems?

International terrorism, some of us think, may be the major kind of international problem of our generation.

Mr. HIGGINS. You are correct in that we cannot talk much about the El Rukns investigation. We have to refer to it in executive session.

I try to decline giving advice to the judges on how to do their job, so they don't try to tell me how to do mine, but there is a bright side to some of this. It is due to legislation that you all have helped to support the Comprehensive Crime Control Act and the Anti-Drug Act, that there are now mandatory and enhanced sentences for armed career criminals. The sentences that are being imposed in those cases are very positive. Just as an example, during the last year and a half, our investigations resulted in the conviction of 44 armed career criminals; those individuals received a total 665 years of mandatory sentences. That is an average of 15.6 years per conviction, which is, as you know, good sentencing. Some received 30 years. These are significant mandatory and enhanced sentences resulting from legislation you supported, so there is a bright side.

Senator DeConcini. But that took some initiative on the part of Congress to mandate the stiffer sentence?

Mr. Higgins. Certainly.

Senator DeConcini. Of course, there is the other side of it, too. Senator Dixon knows. Where do you put them? And how do you pay for the places to put them?

Mr. Higgins. That is the other side.

Senator DeConcini. Let me go back to Mr. Higgins.

Can you give us some background here on the size of this arson-for-hire problem, either nationally, regionally here, or both, if you can?

I know you have had a tremendous amount of success in explosives and in the prosecution of the abortion clinic bombings. Maybe you have had a couple of hundred, is that not right, or something in that neighborhood? Can you give us the background as to the size of this, for the record?

Mr. Higgins. Certainly. In arson, like in the other programs, we are very selective in terms of the investigations we undertake. We concentrate on arson-for-profit cases that are complex and involved, including industrial and commercial type property. We also focus on arson for profit arranged by organized crime groups.

During the last 2 years, we have recommended for prosecution approximately 375 cases with just short of 1,000 defendants. In addition, since 1979, we have captured insurance statistics in terms of the insurance claims that would have been paid in the absence of an effective law enforcement determination of arson. When I say effective law enforcement, that is not to say that ATF does it all because, certainly, it is a combined effort with State and local and other Federal agencies. These savings have exceeded $300 million, with $109 million identified in the last 2 years alone.

Locally in Illinois, we had some 80 arson incidents that we investigated, including 3 deaths, 15 injuries, and over $14 million in property damage. And here again, we captured the statistics in terms of insurance dollars saved. Within the last 2 years in Illinois $4.1 million has been saved.

We use a number of techniques. One has already been identified—the arson task force, which we have in some 16 cities, including 5 in the Midwest. Chicago is one of our most effective.

We, also, have our national response teams. You gentlemen are familiar with it. We have actually four teams throughout the United States. They have responded to over 163 incidents in the last 6 years.

Senator DECONCINI. The Puerto Rican bombing——

Mr. HIGGINS. The large stone was the DuPont Plaza fire in Puerto Rico.

Those response teams are selective in terms of when they go out, necessarily so, but the results are very, very good. In 95 percent of the cases, if the response team goes out, it is able to determine the cause, whether it is accidental, as in a few cases, or whether it is an arson or explosion. In 63 percent of those cases, there is a solution. The national average on solution of arson cases is around 10 percent.

Senator DECONCINI. When we talk about arson for hire, are we talking about organized groups of organized crime that are in that business, primarily, or is it that you just get someone who is a career criminal that is known in the underworld to go do it or are there experts in this?

Mr. HIGGINS. We have had all kinds. There are people who sell their services. We have made a number of cases against them and then work back to the person who paid them. There are organized rings and I think Mr. Reeves is familiar with some in the Chicago area who received notoriety. We have, also, found arson committed simply for revenge—somebody doesn't like somebody or wants to put someone out of business and for other reasons.

Jim may want to report on some we have had here.

Mr. REEVES. We have had excellent success here in Illinois this past year. In fact, we have sharply limited the number of abortion clinic bombings. The only clinic bombing that I know of happened here in Illinois. Five occurred last year and were perpetrated by one individual whom we arrested in Rockford several months ago. He was sentenced last week. In fact, Judge Wilson counseled him at Rockford and when it came time for the sentencing, he looked at the individual and said, "Even though you are 56 years old, you have no past criminal record and you think the Lord told you to do this. I see you as no different than somebody who is committing bombings over in Beruit." And so this gentleman is going to prison, even though he has never been arrested before. It is his first time around, but most of the judges do take a very jaundiced look at people who go out and commit indiscriminate-type bombings or arsons.

Senator DIXON. May I say that Senator DeConcini and I believe that we have to move along to the next panel, but I want to express to all of you, on behalf of the Senator and myself, our appreciation for your cooperation.

We are going to keep the record open. We would thank you, if you would supply to us your suggestions regarding your needs with respect to personnel and other cooperative efforts from the Congress; also, any suggestions you might have regarding other legislative initiatives that would be helpful to you as additional tools and weapons in the good fight that you lead against organized crime and crime, generally, in this part of the country.

And we do thank you very much for your cooperation here this morning. Thank you.

If it would be convenient for someone to help down there, perhaps one of you, in the changing of those witness identification cards.

STATEMENTS OF:
ANTON VALUKAS, U.S. ATTORNEY, CHICAGO
PHILIP FISHER, SPECIAL AGENT IN CHARGE, DRUG ENFORCEMENT ADMINISTRATION, DEPARTMENT OF JUSTICE
JAMES D. McKENZIE, SPECIAL AGENT IN CHARGE, FEDERAL BUREAU OF INVESTIGATION, DEPARTMENT OF JUSTICE

Senator Dixon. I would like to ask Mr. Anton Valukas, the U.S. attorney for Chicago; Mr. Philip Fisher, the special agent in charge of the Drug Enforcement Administration here; and James D. McKenzie of the FBI, if they would come forward, please.

Do you have a preference in order of procedure? Would you proceed, Mr. Valukas? Is that——

Mr. Valukas. I would be delighted, Senator.

Senator Dixon. And if you would all just kind of summarize your testimony. I do want to say for the record that we have all of your testimony. We have read it prior to the hearing.

Mr. Valukas.

STATEMENT OF ANTON VALUKAS

Mr. Valukas. Senators, thank you very much for having me here this morning.

Let me followup on some matters which I heard testified to earlier.

One of the cornerstones of law enforcement in the northern district of Illinois has been the cooperation between the agencies and with the local government. I note in many conferences that I attend that there seem to be problems in other districts with regard to who is responsible for what. I think the general consensus here is that all of us are responsible for law enforcement together and within the confines of our jurisdiction we work together.

One of the reasons for the success in the Armed Career Criminal Act is that our meetings with the Chicago Police Department, the State police, and the local prosecutors is such that where there are criminals who qualify, they refer those cases to us. We screen those cases and prosecute them in the Federal court, looking for the maximum sentence that we can achieve in these particular instances.

Similarly, in drug cases, we look at many of the drug cases to determine where the best level of prosecution can take place and where it is that we are likely to get the maximum sentences. And under those circumstances, we frequently refer cases to the State court for prosecution and, vice versa, have significant cases referred to the Federal court, cross-designating prosecutors in both instances.

Within the confines of the U.S. attorney's office, in Chicago, we have several priorities. I will touch on them briefly. Some of them are interrelated.

We have been very effective over the last several years in areas involving public corruption, a matter of great concern here in the U.S. attorney's office: An undercover probe, including Greylord, which has been our investigation, the local judiciary, which has been undertaken with the FBI and the IRS in Chicago and which has resulted in the conviction of over 66 individuals, including 10 judges, to date. That probe, while controversial in the beginning, has drawn the praise of the bar association and various organizations which are concerned about the integrity of the judiciary here.

We have several other investigations which we not only conduct in an undercover manner, such as Phocus and Incubator, in this district, and working with other districts. We are also working with local law enforcement. Our relationship with the State's attorney's office, particularly Mr. Daley's office, is excellent, and we work with local prosecutors in situations involving sensitive corruption probes to give them our assistance and, in many instances, undertake those investigations.

One of the matters that seems to me that needs to be addressed is the concern about white collar crime. Bank fraud is an epidemic problem across the United States. As I am sure you are aware, Senator, the number of bank failures which have occurred in the last 5 years is astronomical. Unfortunately, what we are finding is that those bank failures are related to personal fraud by individuals who are conducting the activities of the bank, and those cases are extremely complex cases. In the northern district of Illinois, we now have 64 investigations involving bank fraud and the losses total over $100 million. Some of the losses we are talking about involve over $25 million. It is an extraordinary figure.

Senator DIXON. That is remarkable. I am a member of the Banking Committee and very familiar with the problems we have, both in the FDIC and FSLIC, and so forth, with imminent failures around the country. And you are suggesting in your testimony that a good deal of this is the fraud that is taking place inside the institution?

Mr. VALUKAS. That is correct, Senator, and I believe that the result of that is that it is straining and draining the resources of the Department of Justice, in this district and in other districts. We are responding to it, but those cases are extremely complex cases, very labor intensive, both from the standpoint of the investigative agency, as well as the U.S. attorney's office, and it is an area that needs to be addressed, it seems to me, by Congress because of our concern in this area.

Similarly, we now have——

Senator DIXON. Pardon the interruption.

When you say that needs to be addressed, specifically what are you suggesting? For instance, in the Banking Committee, of which I have the honor to be a member, we are looking into insider trading and a variety of things of that kind right now and the appropriate legislative responses. Your colleague in New York City has been a witness before our committee on a number of occasions. I am wondering what you are suggesting in the banking area that you think is called for by the kinds of things you are seeing in your investigations.

Mr. VALUKAS. Senator, the legislation which is proposed concerning insider trading, I think, is excellent. There are many pieces which are of substantial use to us. But what's key from the short-term bank fraud investigative effort are additional resources committed to that area. In the U.S. attorney's office, and across the country, and I chair the White Collar Crime Subcommittee for all the U.S. attorneys across the Nation. In that area, the emphasis has to be on additional support personnel. To put it simply, we need additional assistant U.S. attorneys and additional paralegals and support personnel to work these complex cases. A large bank fraud case may tie up an assistant U.S. attorney for 1 year. There are a total of 94 assistant U.S. attorneys for the entire northern district of Illinois. And, if you consider the number of bank fraud investigations we have underway, you will understand how difficult the problem becomes.

Senator DIXON. So, basically, it is a personnel problem?

Mr. VALUKAS. Yes.

Senator DIXON. What you are suggesting to us, then, if I understand you, and correct me if I am in error, is, at least in that area, it isn't so much an absence of adequate laws on the books to deal with the problem. It is the usual case of an absence of adequate personnel, in numbers, to deal with this.

Mr. VALUKAS. That is correct.

Senator DIXON. How are you doing in this budget? I have to confess that I don't know. My colleague probably does. He is on the Jurisdiction Committee.

Senator DECONCINI. Well, you can ask this attorney how many new prosecutors he has had.

I think you have had about 20, have you not?

Mr. VALUKAS. That is correct. There are 20, I believe, coming this year. I do know or I anticipate that the Department is coming back for additional personnel, not only from the standpoint of prosecutors but support personnel which are critical to this type of investigative effort.

Senator DECONCINI. What is your average caseload here for a prosecutor?

Mr. VALUKAS. It is almost impossible to assess because some prosecutors, who will be working on two or three major bank fraud cases, and some major Herrera-type investigations, may be carrying no more than 25 cases but in this courtroom, for instance, right now, there is a case involving Nigerians and heroin smuggling, and I don't want to discuss that, but the assistant U.S. attorneys probably took 1 year to prepare the case that will be on trial for 3 months, so that will mean that two or three assistant U.S. attorneys are essentially gone from all other activities for, at least, a 6-month period of time.

Senator DECONCINI. Is it fair to say—excuse me, Senator Dixon—that your deputies are overworked? I know in Arizona our U.S. Attorney Magnum does a terrific job out there. Just the civil caseload that these guys have is that they are compromising and having to negotiate these cases out for the Bureau of Land Management, Indian Health Service, and many other cases, because of the just tremendous amount of growth. Is that the case here, too?

Mr. VALUKAS. Yes.

Senator DECONCINI. There is a tremendous amount of both criminal and civil cases?

Mr. VALUKAS. Cases are infinitely more complex today than they were. We are no longer simply doing buy-and-bust drug cases or two-car direct violations. We are talking about a bank fraud case that is a $100 million bank fraud case. We are talking about a case in which there may be 50 lawyers working on the other side of the case, and you have 1 assistant U.S. attorney working with some FBI agent,who are devoted to what they are doing, trying to bring these cases to justice. That is not simple.

Senator DIXON. And I suspect on a very small salary, compared to those on the other side of the table, Mr. Valukas, if I understand the problem you face.

Mr. VALUKAS. Senator, having come from a large law firm to become the U.S. attorney, I can say that is correct.

The other area in which we are dealing and in which Congress has wanted us to deal, and another area which is also labor intensive in the same area involves defense procurement fraud. We have, without describing what the cases are because they are under investigation, several such matters here in the U.S. attorney's office. They, also, will require an assistant U.S. attorney to be committed to that case for, at least, 1 year. If the case is indicted and goes to trial, that may be the better part of an assistant's career for 2 or 3 years, to bring about such a prosecution. Those cases also require the type of support personnel which major law firms use as a matter of course in conducting their efforts; that is, paralegals, clericals, people who will assist the U.S. attorney's office and the FBI in conducting these matters but are not as expensive as assistant U.S. attorneys but provide a particular and specialized resource.

Let me touch briefly on two other areas:

Drugs. As you are aware, from the standpoint of a criminal issue, the largest and most significant problem that we have in the United States involves drugs. Drugs permeate all aspects of our investigative effort. We are concerned about drugs in the workplace. We are concerned about drug laundering. The money laundering statute, which was passed in 1984, was of immense assistance to us in conducting our investigations. We are concerned about the fact that the organizations which we now investigate are international organizations, organizations which span not only the United States but nations. You have to have coordination between the U.S. attorneys' offices across the country. This last Friday arrests were made in a money-laundering operation which was conducted by the FBI, and brilliantly so, but it involves coordination of nine U.S. attorneys working with the Department of Justice to bring this to a successful conclusion.

Senator DIXON. And I understand some of that is centered here in the city of Chicago, is that correct?

Mr. VALUKAS. That is correct.

Last Friday afternoon, in a suburban area, the FBI picked up $2.3 million in cash in two barrels. I am sure Mr. McKenzie will speak to that issue. That, unfortunately, is not uncommon. We see that type of money passing through on a regular basis, through the subsidiary money-laundering operations which are not even the main money-laundering operations.

Senator DECONCINI. The Senator and I will hold this question for Mr. McKenzie. Are you involved with the so-called peace connection, with the FBI, of laundering money and drug trading? You just touched on that or maybe——

Mr. VALUKAS. I will leave that to Mr. McKenzie, so he can address that.

I will just add one other piece, if I may, here.

As our investigations become more sophisticated and as they become more international in nature, we, generally speaking, head those investigations out of the U.S. attorney's office, working with the investigative agency. We use extensive electronic surveillance in those investigations. The people who are the ringleaders in these investigative efforts do not deal face to face with people. They don't carry the heroin. They are three and four levels above. We have to penetrate the organization and use electronic surveillance. There are two crying needs in law enforcement involving drug enforcement efforts: translators and transcribers, simple but needed individuals. When we have hundreds of hours of tape recordings, we have to have them transcribed by somebody. When those tape recordings are in foreign languages, as they most often are, they have to be translated. We have a shortage of both. When we have major projects, we often have to bring in people from other districts who are also running their major projects in order to get the case done, so that we can proceed with the prosecution.

Senator DIXON. How many additional translators and transcribers would you really need to do your job effectively in this district?

Mr. VALUKAS. I am going to ask that Mr. Fisher and Mr. McKenzie respond to that because they are the agencies which are most responsible, but I can tell you, in a most recent case, we had to hire outside personnel for purposes of getting the translations and the transcriptions done in order to go to trial.

Your honor—excuse me. I am so used to being in this courtroom as a courtroom. Senator, let me——

Senator DIXON. I was once a police magistrate.

Mr. VALUKAS. Then I'll address you as your honor.

Let me reemphasize what I think is critical, which is that there has to be total cooperation between all the law enforcement agencies. In our district, egos are put aside in order to bring successful conclusion to these drug cases, in particular, and that is the way we intend to do business, but we do need additional support in the way of personnel in these particular areas.

Senator DIXON. And may I say before we go on to Mr. Fisher and Mr. McKenzie, one of the main purposes of this hearing is to develop these things and I would like for you to lay upon the record, at your convenience, all of that information and even to a high degree of specificity, exactly what you do need, meaning by, you know, transcribers, translators, whatever number it is, and so forth. That would be very helpful to us, and we will pursue that for you.

Mr. VALUKAS. I will do that, sir.

Senator DECONCINI. Mr. Valukas, we are very aware of the procedures necessary in the administration in going through your Department and the OMB and we are not here to disparage at any length what OMB has done to the Justice Department or what they have done to your request, but it is helpful if we can see the same growth pattern that we have in Arizona. Mr. Mangum has been very helpful out there in expressing to me what he really needs and what he really gets, and he has gotten 12 new prosecutors, which is helpful, but he needs a lot more. That is what we are looking for here: How do we help the administration develop the necessary personnel?

How many prosecutors do you have?

Mr. VALUKAS. Ninety-four assistant U.S. attorneys to cover the entire northern—18 counties in Illinois—plus 10 assigned to the organized crime strike force.

Senator DIXON. What is the population? About 6 or 7 million?

Mr. VALUKAS. Eight million.

Senator DIXON. Eight million, probably, yes.

Senator DECONCINI. And that is civil and criminal side?

Mr. VALUKAS. That is civil and criminal.

Senator DECONCINI. How many of those are devoted to the criminal—

Mr. VALUKAS. I would say, at this point, that 80 percent are devoted to the criminal side, though I have established a program of affirmative civil litigation where we are suing civil-type like matters which would be criminal.

Senator DECONCINI. You don't have enough, with 8 million.

Mr. VALUKAS. That is correct.

Senator DECONCINI. With so-called attachment groups in a populated area, 90 some plus 10.

Mr. VALUKAS. We could do an extraordinary job, if we had additional personnel. I think we are doing it now but the more we have, the more we could do. And we are in an area where it requires sophisticated and capable assistant U.S. attorneys to make these cases out.

Senator DeConcini. Of the 20 that you are hiring, have you hired all 20 that have been recently assigned this year?

Mr. Valukas. Well, those 20 aren't assigned to me.

Senator DeConcini. They haven't been assigned to you?

Mr. Valukas. Out of the 20, I have none.

The people, the additional personnel, that I am bringing on are additional personnel that I'm bringing on as a result of the Gramm-Rudman freeze. We operated this office last year with 77 assistant U.S. attorneys. We were down.

Senator DeConcini. And you are not getting any new attorneys?

Mr. Valukas. I am not.

Senator DeConcini. So you are just restoring what you lost?

Mr. Valukas. That is correct.

Senator DeConcini. I thought you were getting 20 new ones.

Mr. Valukas. No.

Senator, if you are telling me that, I will walk out of here——

Senator DeConcini. No; I can't tell you that. If you have to have them, you have got to have them. There is no question about it.

Thank you.

Mr. Valukas. Thank you.

Senator Dixon. Before we move on to Mr. Fisher, I want to give you an opportunity to do whatever you want to on the record about that earlier question to Mr. Margolis about the DEA and the disagreement with the State's attorney's office because I understand, unless my information is incorrect, that you made an investigation of that whole subject matter.

Mr. Valukas. There was a misunderstanding. Let me put it to you simply. I did conduct the investigation because our relationship is with the State's attorney has been excellent and Rich Daley picks up and calls and I pick up the call and it was one of those situations where the communications just weren't there, but it was a tempest in a teapot from the standpoint of law enforcement. All of the law enforcement personnel spent a day saying, "Look. It is no big problem. It is no big problem." It was in the press, but it certainly wasn't for the law enforcement personnel.

Senator Dixon. But it is certainly your impression, Mr. Valukas, from your own experience, that the cooperation is good at the local, State, and Federal level, among all——

Mr. Valukas. Senator, it is excellent.

PREPARED STATEMENT

Senator Dixon. I thank you.

[The statement follows:]

STATEMENT OF ANTON R. VALUKAS

The U.S. Attorney's Office in Chicago is dedicated to the fair, aggressive and apolitical enforcement of the law and to maintaining the highest principles of our system of justice.

With a staff of 93 lawyers, 45 secretaries, 10 paralegals and 49 other support personnel, our office serves a District with 18 counties and a population of eight million.

In addition to the prosecution of routine matters such as mail theft, bank robbery and arson, and the civil defense of the goverment and its agencies, this office has excelled in the prosecution of public corruption, white collar crimes, civil rights and narcotics cases, as well as expanding an affirmative civil litigation program to combat fraud against the government. We have obtained the country's longest jail term for a toxic waste dumper under Resource Conservation and Recovery Act (RCRA), expanded the use of the mail fraud statute in public corruption prosecutions, used the Racketeer Influence Corrupt Organization (RICO) statute to prosecute businessmen for bribery of public officials, used the Civil Rights statutes to negotiate fair housing and employment agreements with various suburban municipalities, and developed an election monitoring and prosecution system that serves as a national model for the Department of Justice. In the next few pages I would like to highlight some of the work of the office in the areas of public corruption, white collar crime, fraud against the government and narcotics.

Public Corruption

In the last two years, the U.S. Attorney's Office has prosecuted 151 persons for public corruption. In addition to individual prosecutions in reaction to specific complaints of corruption, this office has continued and initiated long term and highly successful investigative "projects" such as the Greylord investigation of corruption in the Circuit Court of Cook County, Illinois, the Phocus investigation of licensing operations in Chicago, and the Incubator investigation of corruption in the awarding of municipal contracts in Chicago and Cook County, Illinois and New York, New York.

The thoroughness of the investigations and the successful trial record of the office in the area of public corruption has led to an unprecedent number of guilty pleas and cooperation by public officials in these projects.

Greylord

In its seventh year, this project has resulted in the conviction of at least 65 persons including ten sitting or former Judges of the Circuit Court of Cook County. While exposing the illegal and unethical practices of payoffs, case fixing, and client hustling, a renewed faith in the ability of federal law enforcement to clean up the state courts keeps the project going strong as those convicted come forward or are compelled to testify against others involved in the court corruption. The propriety of this undercover project has been litigated and approved by the 7th Circuit Court of Appeals which found it to have been conducted in accordance with the highest ethical standards of the Department of Justice.

Members of my staff and I have met with judicial officials, Bar associations, and the public to lend our support to the effort to correct problems which led to the abuses revealed in Greylord.

Phocus

To date there have been 27 guilty pleas, 3 jury convictions and two cases pending with no acquittals, resulting from this 3 year probe of the licensing apparatus in Chicago. Every person who pled guilty agreed to cooperate in the investigation. What began with a citizen complaint led to a Title III wiretap and consenual monitoring by no less than ten different cooperating targets. Using the evidence gathered as a result of the wiretap, tape recordings and historical witness information, the FBI conducted nearly a thousand interviews of businessmen to identify corrupt licensing officials and inspectors.

To date, a former Circuit Court Judge, an ex-Alderman, the former head of the City's Counsumer Services (Health) Department, the Fire Department's head of the North Side Inspection Task Force and almost half of the City's Health Inspectors have pled guilty.

The agreement with former Judge Salerno, which was consumated just last Monday, gives a boost not only to Phocus but Greylord as well, as Salerno becomes the first judge to plead guilty to using his office to extort money and to cooperate with our corruption probes pre-indictment.

Incubator

To date, seventeen people and a corporation have been indicted in Chicago and 11 additional convictions obtained in New York as a result of this 2½ year undercover probe into corruption in the awarding of municipal contracts.

The Chicago defendants include the Clerk of the Circuit Court of Cook County, the Clerk's Chief Investigator, 4 City Aldermen, three other City Officials and a lobbyist for a major waste disposal company. To date there have been six guilty pleas, one conviction and no acquittals in Chicago.

As with the other major projects, Incubator is also an ongoing probe.

Suburban Probes

Prosecutions in the suburbs of Chicago and collar counties have also been a priority. Notable successes in these areas include the Fox Lake corruption probe which resulted in the conviction of seven persons, including the mayor, a former trustee, and two lawyers for their roles in the long term bribery scheme to obtain cable contracts, liquor licenses and other municipal contracts. The office has successfully prosecuted two suburban County School Superintendents and a suburban County Sheriff. Indictments are pending against former ranking police officers from three different suburbs.

Work With Local Governmental Units

It has been the policy of this office to try to work with local governing bodies in corruption probes. A long term solution to this problem requires strong action by local governments to correct the situations which breed corruption. To that end we have had meetings with officials from various communities throughout the Cook County area, the Circuit Court of Cook County, and officials of the City of Chicago who assist them in investigations involving corruption and to suggest to them ways in which administrative actions can be taken to prevent corruption from occurring in the first place.

WHITE COLLAR CRIME

One of the areas in which this office has focused its prosecutorial resources during the past two years is the area of white collar crime. In 1984, we established a special task force to handle the investigation and prosecution of significant white collar criminal cases involving Bank Fraud, Bankruptcy Fraud, Commodities and Securities Fraud, and Tax Fraud including the laundering of money. The basis for this concentration of prosecutorial resources is the recognition that each year millions of dollars in revenue is lost to the United States Treasury, various businesses and individual victims through the systematic criminal conduct of people who are engaged in fraudulent business practices. As a result of this concentrated effort and the coordinated efforts of multiple investigative agencies, we have successfully prosecuted several cases involving hundreds of thousands and even millions of dollars in the white collar area. However, these types of cases are complex, time consuming, and labor intensive. They require extensive resources on the part of the investigating agencies and our office.

BANK FRAUD

During the past year, the U.S. Attorney's Office for the Northern District of Illinois has prosecuted and convicted over 50 individuals for crimes involving bank fraud. Several of these individuals have been officers of various banks and financial institutions who have abused their positions of trust and have engaged in complicated criminal activity for their financial enrichment. Our office has utilized various federal statutes, including the new bank fraud statute, to prosecute individuals who have converted bank funds, engaged in fraudulent loan practices, and participated in intricate schemes to defraud banking institutions through a pattern of racketeering activity.

In United States v. Harold Ticktin, et al., a case developed by the FBI, the mayor of Bolingbrook, Illinois, two former bank presidents and two other individuals were convicted for devising a scheme to defraud a Savings and Loan of millions of dollars and causing the collapse of the institution. Pursuant to the racketeering conviction, one of the defendants was ordered to forfeit approximately $500,000 in personal assets, including a condominium, a $47,000 luxury automobile, and pension proceeds.

Presently, there are 64 investigations in my office which involve alleged frauds on banks in excess of $100,000. There are 18 pending investigations involving major bank officers. Some of these bank frauds under investigation involve alleged losses ranging from $25 million to $150 million. While these cases are necessarily complex, their prosecution is essential in order to insure the integrity of our financial institutions.

BANKRUPTCY FRAUD

In years past, bankruptcy fraud has been one of the more neglected areas of federal law enforcement. Yet, given the liberalization of the bankruptcy process, it has been a crime of increasing frequency and oftentimes involves related criminal activity including bank fraud and tax fraud. Presently, this office is investigating over 60 possible bankruptcy fraud cases of which several include multi-million dollar losses. Like bank fraud cases, investigation and prosecution of these cases typically involve meticulous and painstaking efforts to trace money through the use of bank accounts, nominees and third parties in order to discover concealed assets. "Bust out" schemes, involving businesses and defendants who establish favorable credit ratings, order exceptionally large amounts of goods, dispose of the goods through various channels, and then abscond with the proceeds of the sale of these goods, present a common type of planned bankruptcy fraud which is on the rise. This and other type of fraud schemes in the bankruptcy area have formed the basis of numerous bankruptcy prosecutions by our office during the past two years under the Tax and Financial Crimes Tax Force.

COMMODITIES AND SECURITIES FRAUD

Our office has prosecuted a series of commodities fraud cases commonly referred to as boilerroom frauds. Typically, these cases involve con-men who set up a telephone and mailing operation and induce innocent third parties to send money to them through fraudulent sales and investment representations regarding various types of commodities. The office has prosecuted individuals involved in such lucrative endeavors who have either set up their base of operation in this District or who operated outside of Illinois but duped investors in this area. Presently, my office is coordinating the investigation of the largest suspected commodity fraud in the country. These types of cases require extensive technical expertise in uncovering the disposition of assets and exposing the alleged fraud.

In the securities field, this District has prosecuted and currently, has pending, several cases involving the fraudulent sale of securities, churning of security accounts and conversion of assets. Our office has worked with the Securities and Exchange Commission in pursuing securities fraud and has engaged in training efforts with various state and federal agencies in order to develop the expertise needed to pursue sophisticated criminal conduct in this area.

TAX CRIMES

In the past year, this office indicted 147 tax cases. 99% of these resulted in convictions. Recognizing the huge loss of revenue to the Treasury resulting from the actions of those who refuse to pay their fair share of this country's tax obligations, this office has been a leader in prosecuting tax protestors and others who fail to file tax returns for tax evasion. Because of the success our District has had in this area, the Department of Justice has now authorized similar prosecutions throughout the country.

This office has aggressively investigated and prosecuted tax fraud involving abusive tax shelters. Such fraudulent conduct engaged in by promoters and their associates contributes to cynicism on the part of the taxpaying public. Again, such cases oftentimes involve complicated financial analyses and require detailed review of the disposition of assets, and the use of nominees, money circles, and sophisticated financing arrangements. In addition to other types of tax fraud cases with which the office is presently involved, we are focusing efforts on investigating corporate tax fraud in which millions of dollars has been diluted from the government coffer.

Another priority in this area involves the laundering of money. The new money laundering statute in combination with recent laws prohibiting the willful structuring of banking transactions involving cash transactions of $10,000 or more provides us with tools to uncover efforts by criminals to conceal their ill-gotten gains. During the past year, this office has taken the initiative in a series of undercover cases and utilized the money laundering statute in exposing those who sought to hide the fruits of their narcotics activities. These types of money laundering cases have been successfully prosecuted because of the intense investigative efforts undertaken to expose both the paper trail connecting an individual to the disposition of assets and the scope of the underlying predicate crimes which generated the illegal money.

While financial investigations require extensive resources, their effectiveness in exposing fraud and in corroborating allegations involving other criminal conduct, including narcotics and public corruption, is unquestioned. Such investigations, however, require significant expertise and resources in order to reach significant criminal conduct at the highest levels.

GOVERNMENT FRAUD

Another major priority of this office is the prosecution and consequent deterrence of government fraud. Two years ago, this office initiated a concentrated effort in partnership with all of the agencies in this District to uncover and prosecute activity associated with the abuse of government programs. Thus far, we have met with considerable success. We have a long way to go.

The setting in which our efforts began posed a number of problems. Historically, government fraud cases had little jury appeal and, even upon conviction, almost inevitably resulted in sentences of probation. As a consequence, our office was understandably reluctant to commit prosecutorial resources to such cases. In turn, the law enforcement agencies that investigated such cases got in the habit of presenting to us only those cases that required a limited commitment of prosecutorial resources--that is, the smaller, less complicated cases, which were the very cases that had little jury appeal and resulted in lenient sentences. Thus, a vicious circle had been created.

Our efforts over the past two years have gradually broken that cycle. The law enforcement agencies now know of our interest in prosecuting government fraud cases and our willingness to devote substantial prosecutorial resources to this area of law enforcement. As a result, we are pursuing far more complicated and time-consuming government fraud cases than we have ever seen in the past.

DEFENSE PROCUREMENT

For example, we are now investigating several major defense-procurement fraud cases. Each case has occupied one Assistant virtually full time for more than a year. If the cases go to trial, they will each require, at a bare minimum, two Assistants, a secretary, and a paralegal working full time for several months. We are willing to make that commitment of resources both because of the importance of the cases in deterring similar conduct and because of the possibility of recovering huge sums of money for the government.

MEDICAID AND MEDICARE

Another area of criminal activity that we are actively investigating is so-called "provider fraud"--that is, fraud against the Medicaid and Medicare programs, perpetrated by providers of health care services. This office recently prosecuted a landmark case in this area against 30 doctors and pharmacists who were fraudulently billing Medicaid and Medicare. The sentences imposed on the leaders of this scheme ranged from 8-12 years imprisonment. Several similar cases are under investigation.

AFFIRMATIVE CIVIL LITIGATION

Finally, in the area of government fraud, we are pursuing these cases civilly, as well as criminally, in order to recover the money that the government lost through the fraud. In our office, an Assistant from the Civil Division is assigned to every major government fraud case. If a case is prosecuted criminally, we will seek a civil judgment as well. If the case does not warrant criminal prosecution or must be declined for insufficient evidence of criminal intent, we will review it with an eye toward obtaining a civil judgment against the perpetrator. It is not unrealistic to expect that by these efforts we will recover millions of dollars for the United States in the next few years.

HUD, SBA

The Department of Housing and Urban Development and the Small Business Administration are regular victims in this district. We are actively pursuing a number of cases in each of which the fraud against those agencies exceeds $100,000. A good example of one of our most recent HUD-fraud prosecutions is a case in which a number of individuals falsified their income statements in order to get subsidized housing. Eighteen people were convicted and judgments and restitution orders totaling $188,000 were obtained, including a management-level person for aiding and abetting these people.

INDIVIDUAL CASES

We continue to prosecute the smaller government fraud cases, but we now do so more efficiently than in the past. We utilize computers to investigate the cases and word processors to assist in preparing the vast amount of paperwork required for each case. In addition, since most of these smaller cases result in sentences of probation and therefore have limited deterrent impact individually, we now prosecute such cases only as a package. By prosecuting a large number of the smaller government fraud cases as a package, we can often generate publicity and thereby have some deterrent effect. Indeed, last year in combination with the Cook County State's Attorney's Office, 91 people were charged with welfare fraud on the same day. The total amount of the fraud alleged in the cases was over $2,500,000.

DRUG ENFORCEMENT & DRUG PREVENTION

Without a doubt, narcotics trafficking represents one of the most serious problems faced by society as well as law enforcement. In combatting this extensive and financially profitable criminal activity, this office, in cooperation with other law enforcement agencies, has developed and implemented a multi-faceted approach consisting of enforcement, forfeiture of assets, as well as education and deterence programs.

DRUG ENFORCEMENT

No enforcement could function without close cooperation and coordination with law enforcement agencies. In this district the United States Attorney's Office is fortunate to be teamed with the Drug Enforcement Administration, the Federal Bureau of Investigation, United States Customs, the Bureau of Alcohol, Tobacco and Firearms, the Internal Revenue Service, and various state and local police agencies. The effectiveness of a multi-agency approach has been demonstrated on numerous occasions with extraordinarily successful prosecutions.

The focus of the federal law enforcement agencies has been on the major traffickers of heroin and cocaine. While other narcotics cases are prosecuted, it appears that the federal resources are better suited for the long term, multi-state, well developed narcotics trafficking organizations. In investigating these types of organizations, the agents and the Assistant United States Attorneys are sensitive to the profits and proceeds generated from this insidious business. Our investigative efforts are directed not only to uncovering the actual narcotics and the persons who handle them, but the money made and concealed by the leadership of these kinds of organizations.

OPERATION DURANGO

Some recent prosecutions have highlighted the success of these multi-agency, drug task force cases. "Operation Durango" was a cooperative FBI DEA operation aimed at the primary distributors and distribution operation of Mexican brown heroin in Chicago. Employing a variety of tactics including wire taps, undercover agents, cooperating individuals, and traditional surveillance techniques, federal agents were able to develop solid cases against more than 85 individuals. Assistant United States Attorneys assigned to these cases worked closely with the federal agents allowing the coordinated presentations of these matters to the federal grand jury which returned 8 indictments charging more than 85 people with various narcotics offenses. Upon the return of the indictments, all the federal agencies, in cooperation with state and local police officers, were able to arrest most of the individuals who had been charged.

At the same time, DEA and FBI agents, working with the United States Marshals Service, were able to effect the seizure of many drug assets inlcuding real estate, vehicles, cash, and jewelry. The value of these assets is in the hundreds of thousands of dollars.

Upon the return of the indictments, many of the defendants, facing overwhelming evidence, pleaded guilty and some agreed to cooperate. Others chose to go to trial and each who did was convicted. At this time all the defendants who were charged have either fled, been convicted, or pled guilty while three are awaiting trial. The sentences imposed on those who were convicted reflect the seriousness of the crime as a number of the defendants were sentenced to 30 years and 20 years incarceration.

The impact of this investigation and prosecution on the brown heroin trafficking is significant. Informant information and other investigation reveal a much reduced availability of brown heroin on the streets. Indeed, one frustrated dealer complained to an undercover FBI agent of the lack of available brown heroin. While we have no illusions that this prosecution will mark the end of brown heroin trafficking in Chicago, it is nonetheless clear that this investigation and prosecution resulted in a substantial diminution of the amount of brown heroin available in Chicago. To this extent law enforcement has done its job.

COCAINE (PETERSON-RAFFANTI)

In the United States in the 1980's, cocaine has become the drug of choice. Much has been written about the epidemic of cocaine usage throughout this country and these reports are not inaccurate. Cocaine traffickers have been and remain a very high law enforcement priority in this district. Just recently, the prosecution of the largest cocaine distribution organization in this district was concluded successfully. As is common in these kinds of cases, one distributor was discovered and prosecuted. His cooperation then led to more information regarding other distributors with whom he was associated and the investigation proceeded. In all, 16 defendants were indicted in this investigation, one died prior to trial and all others pleaded guilty or were convicted.

As a result of this investigation and prosecution much information has been added to our knowledge of cocaine trafficking. In this case, for example, the cocaine was brought into the United States from South America by Colombians living in the Miami area. Once the cocaine was brought to Florida it was driven to Chicago by husband and wife driving teams who were given $3,000 to $5,000 for the transportation. Testimony in the case revealed that after this cocaine had been delivered, as much as $500,000.00 in cash was returned to Miami at one time either in clothing bags which were hand carried on airplaines or in suitcases driven back to Florida. Testimony also disclosed that one driver had been kidnapped at gunpoint to enforce an $100,000.00 debt and that machine guns and handguns were regularly displayed to remind couriers to deliver all of the money.

As with brown heroin, there can be no doubt that cocaine usage remains a serious problem. Indeed, the Peterson-Raffanti prosecution followed on the heels of what had been the largest cocaine operation in this district, the Edward Fields-Carl Valdez Organization which was successfully prosecuted in 1983 and 1984.

As indicated above, major traffickers are the focus of the federal law enforcement effort. However, the lower echelons of these organizations have also been included in our prosecutive efforts. Since 1984, this office has undertaken 313 cases charging over twelve hundred individuals with various narcotics charges. The record of successful prosecutions in this district could not have been had without the coordinated and cooperative efforts of all the federal law enforcement agencies involved.

FOREFEITURES/SHARED ASSETS

Another major component of the federal law enforcement response to narcotics trafficking has been the effort to identify and seize the proceeds, profits, and equipment associated with narcotics trafficking. As a result of this increased attention and education, we have achieved a good measure of success in removing the profit from drug dealing.

For example, in United States v. Raffanti, the government recovered almost $3,000,000.00 in cash, real estate, and other property after cocaine dealer Charles Peterson decided to cooperate with the government. Among the assests seized were two Florida condominiums, two Chicago taverns, several Chicago apartment buildings of up to twelve units each, a number of three flats, and several single family residences. In addition, numerous automobiles were seized and $363,000.00 in cash was dug up from beneath the front porch of one defendant's home.

Our ability to successfully pursue these forfeitures was enhanced by the expanded forfeiture provisions of the Comprehensive Crime Control Act of 1984. As you know, the act allowed the forfeitures of property valued at less than $100,00 to be handled administratively unless a bond is posted by a claimant. While this procedure has streamlined the forefeiture process, judicial forfeiture actions are still necessary in certain cases.

Since 1985, this office has initiated 253 forfeiture cases. While a number of these matters are still pending, the 1986 cases have resulted in the forfeiture of over $433,300 in assets while the 1987 cases have already generated more than $45,000 in assets. During this period, this office initiated forfeiture proceedings against 47 parcels of real estate and 23 automobiles while 43 seizures of currency were referred for litigation.

ASSET SHARING

An important component of the 1984 Act was the provision for the sharing of seized assets with state and local law enforcement agencies who participated in and contributed to drug trafficking investigations. In 1986, this office, in conjunction with the U.S. Marshal's Service, coordinated the return of $693,000 to local police agencies. In 1987, more than $440,000 has been awarded. At this time there are more than $1,000,000 in claims which are being processed.

ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCE

In assesing the enforcement and forfeiture components of the federal law enforcement strategy, The Organized Crime

Drug Enforcement Task Force should be addressed. It has been our experience that OCDETF has been and remains a viable and valuable strategy against drug trafficking. The manpower and expertise contributed by the participating agencies cannot be duplicated and is an effective and thorough method of investigating these very difficult cases. The drug task forces in this district and in the North Central Region have achieved major successes including, of course, the Valdes, Raffanti, and Herrera cases described above. These successes demonstrate that the Drug Task Force is the most effective way to deal with organized narcotics trafficking.

RECENT LEGISLATION

The legislation recently passed by the Congress has also been of major assistance. For example, the Anti-Drug Abuse Act of 1986, enacted in October of 1986, is a very valuable tool in drug enforcement. The Congress, in enacting certain mandatory minimum sentences, has sent a strong message to the public and to the judiciary that drug trafficking is a severe threat to society and that those who engage in it should be punished accordingly. Furthermore, the prospect of incurring a substantial sentence encourages more people to cooperate and provide information about their associates' criminal activity. The Electronic Communications Privacy Act 1986 also provides significant assistance in the war on drugs. The ability to conduct "roving" wire taps and the expansion of categories of persons authorized to monitor wire taps will increase the ability of the federal law enforcement agencies to respond to new and creative methods of trafficking in drugs. Also, the new offenses created in Titles 18 and 31 to combat money laundering aid our law enforcement efforts. Our ability to focus not only on the importation and distribution of drugs but also on the handling and disposition of the profits of drug trafficking adds an expanded dimension to our ability to combat drug crimes.

EDUCATION AND DETERANCE PROGRAMS

Despite the success that has been achieved in the area of enforcement, there can be no question that the war on drugs will never be "won" until there is a substantial reduction in demand. Our collective law enforcement experience over the years has taught us that drug trafficking is a lucrative business having customers with a seemingly endless demand for this "product". Beginning in 1986, the Department of Justice initiated a program to help educate young people with the aim of deterring them from using drugs. The United States Attorneys Office for the Northern District of Illinois is also involved in this effort. We understood that the tolerance for an acceptance of illegal drug use was and is a major contributing factor to this very serious problem.

Beginning in the Spring of 1986, the office began the process of educating ourselves about drug prevention and what we could contribute to it. Coupled with that knowledge and an evaluation of the office's resources and limitations, a three part program was developed which would best utilize the office's stength and abilities. We asked seven people, all of whom were involved in programs to foster drug education, to serve on an Advisory Board to the United States Attorney. Serving on that board was Dan Hendershott, Director of Training and Education, Central State Institute on Addictions, Ms. Anne Meyer and Ms. Nancy Granat, National Federation of Parents for Drug Free Youth; Ms. Emma Redmond, Manager, Training and Education, Illinois Department of Alcholism and Substance Abuse; Dr. Rose Gordon and Ms. Margaret Anderson, IN TOUCH coordinators for Chicago Public Schools and, Franz Hirzy, Drug Enforcement Administration.

Utilizing their collective wisdom and experience, we formulated a three-part program which we believed would be the most effective way to utilize the resources of this office to promote drug education and prevention.

Part I: Speakers Bureau

The office formulated a speaker's bureau which is composed of all the Aassistants United States Attorneys in the office. The intent in creating this bureau is to speak to influence group in the community - professional associations, community groups, religious organizations, etc. - about the drug problem. Our purpose is to address the "denial" that exists and motivate the audience to do something about it. Our message is that because the drug problem affects all segments of society, it will require a concerted effort by everyone to put an end to it. In making these presentations, the office has prepared a handout titled "What Can We Do?" which is distributed to the groups to whom we speak. This handout contains many practical ideas for schools, community groups, religious organizations, and professional associations. We strongly encourage these groups to contact the IN TOUCH coordinator of their prevention service area.

Part II: Presentations to High School Students

The United States Attorneys Office also will make presentations to high school students using the Department of Justice video, It Won't Happen To Me. We have made these presentations to the schools both as a part of their ongoing drug education programs as well as by ourselves.

Part III: The Chicago Workshops.

In the fall of 1986, neither the Chicago Public School System nor the Parochial Schools within the Archdiose of Chicago had a formal drug education policy or curriculum. While some schools within each of the two systems had developed their own drug education and prevention programs, there was no system-wide on which to rely.

Our advisory board believed that if a series of workshops could be conducted for the benefit of the administrators and principals of the two school systems they would gain a better insight into the drug problem and be motivated to begin to implement drug programs in all the schools on a system-wide basis with system-wide funding. To that end, a series of 4 half day workshops were planned for the administrators and principals of both school systems.

The purpose of the workshops was to acquaint the educators with the nature and extent of the drug problem and to present them with various resources with which they could realistically address the drug problems within the schools. (A copy of the agenda for the workshops is attached.) Following the workshops, United States Attorney, Anton R. Valukas was invited to address the Chicago School Board on the issue of drug education. Over the last year, the Board of Education has devoted resources to the drug problem by appointing two persons to serve as drug education program coordinators within the elementary schools and and will appoint 1 person to coordinate the programs within the high schools.

Since the implementation of the office's drug program, Assistant United States Attorneys have made over 45 presentations to community organizations, civic committees, business and professional groups as well as schools. We have been pleased to cooperate with the Chicago Crime Commission and its efforts to educate and encourage public support for drug law enforcement. We salute the efforts of the Chicago Sun-Times and Channel 7 (WLS TV) in their joint efforts to promote a year long drug education and prevention awareness program, "Say No To Drugs".

RESOURCES

While this office's accomplishments in these areas are significant, I believe that more could be accomplished with additional attorneys and support staff. With three lawyers to a secretary and secretarial salaries that lag far behind not only the private sector, but other government agencies, we simply cannot fill our secretarial needs. We need to be allowed to upgrade the secretarial positions in our office to fill our allotment of secretaries with qualified people. Then we need additional secretarial help.

Further, we have found that a lack of translators impacts our ability to conduct drug investigations and present evidence effectively in court. For example, in a recent major narcotics investigation, a shortage of translators delayed the initiation of Title III Electronic Surveillance while the investigative agency had to make expensive and time consuming efforts to locate and screen a sufficient number of competent translators. The shortage of competent translators certainly impacts on the investigative agency's ability to prepare even rough transcript of the recorded conversations. This problem is further compounded when, for trial, the best quality transcripts of recorded conversations are absolutely essential.

The use of paralegals, long recognized in the private sector as a cost effective supplement for attorney staffings, needs to be expanded in our office. In Greylord, paralegals have helped organize thousands of state court records for presentation at trials. In Phocus, paralegals have organized, maintained and cross-referenced thousands of license applications, hundreds of witness statements and dozens of target files. In Incubator, paralegals have catalogued the 2200 videotaped meetings and 10,000 consensually recorded phone calls, as well as organizing thousands of documents and hundreds of witness files.

In our drug cases, paralegals have become an important part of our prosecutive effort. We have found that in our more complex drug cases, paralegals have become indispensible in handling and organizing the voluminous amount of paper, phone records, tape recordings, transcripts, and other evidence accumulated in these investigations.

In short, paralegals have saved hundreds of attorney hours at a substantial savings to the government. Our office needs additional paralegal help.

WORKSHOPS FOR SCHOOL ADMINISTRATORS AND RELIGIOUS LEADERS

STATE OF ILLINOIS CENTER AUDITORIUM

AGENDA

October 27, 1986

8:00 - 8:30	Registration.
8:30 - 8:45	Welcome. Discuss the Objectives of the four sessions and the resource fair. Dr. Major Armstead, Jr., Chicago Public Schools
8:45 - 9:15	The U.S. Attorney for the Northern District of Illinois speaks on the drug problem and the need for demand reduction. Mr. Anton R. Valukas, United States Attorney for the Northern District of Illinois
9:15 - 10:15	The Impact of Drugs on Students & Teachers. Mr. Robert M. Stutman, Special Agent-in-Charge, Drug Enforcement Administration, New York
10:15 - 10:30	Break & Resource Fair.
10:30 - 11:15	Components of a successful drug education program. Your goals and objectives after assessing the problem in your school and your community. Community Involvement. Teacher Training. Mr. Robert M. Stutman
11:15 - 11:30	How to impact the problem - a success story in Massachusetts. Dr. Carol Sager, Superintendent of Schools - Highwood, Highland Park
11:30 - 12:00	Existing programs in the schools and what they mean to the students.

12:00 - 12:15	Summary. Assignment & Evaluation. Resource Fair.

November 18, 1986

8:30 - 8:45	Welcome & Review of Objectives. Mr. Tom Reece, Chicago Teacher's Union Evaluation Results. Ms. Ellen Krupp, Special Assistant to the United States Attorney
8:45 - 9:45	"Why Do I Keep Hurting Myself?" How drugs affect an individual and his/her school behavior. What drugs do to stunt a child's growth into adulthood. Vann Arthur Smith, Ph.D., C.A.C.
9:45 - 10:00	Break & Resource Fair.
10:00 - 11:30	Prevention, Intervention & Treatment: What are they and when do I use them? Ms. Jackie Garner, Director of Training & Technical Assistance, Prevention Resource Center
11:30 - 12:00	IN TOUCH - A program to help everybody. Mr. William Atkins, Director of Illinois Department of Alcoholism and Substance Abuse; Ms. Lynda Chott, IN TOUCH Coordinator, Illinois Department of Alcoholism and Substance Abuse; and Dr. Rose Gordon and Ms. Margaret Anderson, IN TOUCH Coordinators, Chicago Public Schools
12:00 - 12:15	Summary. Evaluation. Resource Fair.

December 2, 1986

8:30 - 8:45	Welcome. Ms. Sue Bordenaro, Consultant for Family Life, Office of Catholic Education
8:45 - 9:30	A survey of legal issues involved in combatting the school's drug problem. Ms. Patricia Whitten, Attorney, Chicago Board of Education and Mr. James A. Serritella, Attorney, Mayor Brown & Platt
9:30 - 9:45	Effects of Alcohol and Other Drugs on our Bodies. Ms. Felicia Dudek, National Teachers College
9:45 - 10:30	How to do a needs assessment. Ms. Annette Collins, Technical Assistance Specialist, Prevention Resource Center
10:30 - 10:45	Break and Resource Fair.

10:45 - 11:15	How to work with the community and where to go for help. Ms. Annette Collins
11:15 - 11:30	The Chicago Police Department's Role. Sergeant Wayne Wiberg, Chicago Police Department
11:30 - 11:45	The Parents Movement - a valuable resource. Ms. Anne Meyer and Ms. Nancy Granat, Illinois Drug Education Alliance & National Federal of Parents for Drug Free Youth
11:45 - 12:00	Summary. Evaluation. Resource Fair.

December 11, 1986

8:30 - 8:45	Welcome.
8:45 - 9:15	How to develop a workable school policy. Ms. Gabriele Murphy, Technical Assistance Specialist, Prevention Resource Center
9:15 - 9:45	Curriculum: What makes an impact? Dr. Daniel Hendershott, Director of Training & Education, Central States Institute on Addictions
9:45 - 10:00	Break & Resource Fair.
10:00 - 10:45	Roles and Responsibilities of everyone involved. Our hope for the future. Mr. Stephen Trott, Associate Attorney General, U.S. Department of Justice
10:45 - 11:45	"Take the Chance" Free Street Theater Company
11:45 - 12:00	Evaluation. Closing Remarks. Resource Fair.

Senator DIXON. Mr. Fisher. Mr. Philip Fisher, special agent in charge, Drug Enforcement Administration, for the Department of Justice.

STATEMENT OF PHILIP FISHER

Mr. FISHER. I will briefly summarize my testimony, since you have it.

Basically, this DEA region, this division is one of 19 such divisions. We cover five States. This office in Chicago is the headquarters office. I have approximately 132 1811 criminal investigator positions to cover this area. Approximately 85 of those are based here in Chicago.

Our primary mission is enforcement and, in addition to that, we also have the virtual responsibility with respect to the policing, if you will, of the legitimate drug industry, through our diversion of investigators. We have a training mandate. We train local and State police officers. In the last 2 to 3 years, we have become increasingly involved in demand-reduction-type programs. We are involved with the U.S. attorney's office in a significant ongoing demand-reduction program.

We have cooperative cases going with practically every entity, Federal and State and local. We have formalized a State and local task force here. We have approximately 30 some Chicago police officers detailed to DEA. We have them here in this building and we have them assigned to our airport group. Basically, it has become a transportation group. We, also, are involved in most indepth investigations, organized crime and drug enforcement task forces that involve other Federal agencies, as well as State and local agencies.

The Marijuana Eradication Program was mentioned earlier. This is DEA's fifth year being involved in that. Our involvement at this point is basically in funding and training, as it has been from the start, but the work has fallen to the State and local people and they have done an outstanding job. These States in this area have ranked very high and that is basically because of the ditch-weed as was brought up earlier.

Basically, that is a thumbnail sketch of what we do.

As far as the drugs are concerned, our primary problem at this time is cocaine in this area. Approximately 75 percent of our investigative work hours are directed at cocaine investigations.

Senator DIXON. Coming from what source?

Mr. FISHER. Primarily, in this area, we see it mostly coming in from Florida. We have seen it shipped. In the last year or so, we have had some cases that have shown they were shipped from over into Mexico and cross into the Southwest. We have seen that. What we see coming into this area is a lot——

Senator DIXON. Is that coming out of Colombia into Florida?

Mr. FISHER. Yes; I would say so. We have some direct lines back into South America. Usually, there is——

Senator DIXON. If I may interrupt, isn't that a perfect example of where drug interdiction off the coast would help a great deal?

Mr. FISHER. It does, and I think it has; yes.

Senator DIXON. But I mean, so much more could be done in that regard in those areas where it is a known port of entry. I mean, it comes into Florida by the tons.

Mr. FISHER. Yes; you are not going to see the seizures here that you see down there. We seize smaller quantities.

Senator DIXON. I realize that. But I am saying though——

Mr. FISHER. No; that's true.

Senator DIXON. Isn't it a fact that most of the problem is interdicting it before it gets into this country.

Mr. FISHER. The primary case, of course, would be to get it at the source. The next best step is to——

Senator DIXON. Well, of course, you have the problem with the countries in that connection unless they want to cooperate.

Mr. FISHER. Yes; that's true.

Senator DIXON. But it just seems to me that we do so little against all we could do in that connection. Does that bother you a little bit as a law enforcement officer?

Mr. FISHER. It bothers me a lot. It certainly does. If you look at the philosophy that the closer we get to the sources, where you are going to take it off, the better off we are going to be. It makes a lot more sense. If you take 1 kilogram off close to the sources, it is a lot better there than trying to take it off the nickel-bags back on the street.

Senator DIXON. Well, sure.

Mr. FISHER. It has been that way for years.

Senator DECONCINI. Do you have an organized Colombia drug operation here in the Chicago area?

Mr. FISHER. Yes; we do.

Senator DECONCINI. As they do in New York and other places.

Have you had some successful hits or prosecution of those?

Mr. FISHER. We have. We have had cases that we have prosecuted. We have ongoing cases in this area. It is a problem, but we are aware of it. We work with the FBI on it.

Senator DECONCINI. The fact that Mr. Lederer of Colombia was extradited and put out of business, has that lessened it at all or is he just one of the major players?

Mr. FISHER. Well, he is one of the major ones. I don't know. It is probably too early to see an impact. They normally stockpile down there. At the time we are going to see an impact on that here, we may never see that.

Senator DECONCINI. Your counterpart in New York testified before Senator D'Amato and myself last week that there is a tremendous organization of Colombians, where they keep Colombians involved down to the distribution level, the wholesale level, the importation level, and the laboratory level. Is that accurate here, too?

Mr. FISHER. I would say so; yes.

Senator DECONCINI. Let me ask you a question about the laboratories. Last week Senator D'Amato and I introduced legislation that we hope will control the diversion of legitimate precursor and essential chemicals to the illegal production of drugs. This is legislation that was strongly backed by your agency. Can you give us a little bit of flavor of how big a problem, if any, that is here, of laboratories and the use of chemicals, and are you coming across substantial amounts of chemicals as they have in New York?

Mr. FISHER. We may not to that extent. In our opinion, that is a very important piece of legislation. I think right now we see a decline in that in this area. Historically though, if you go back a few years, this was a very active, very clandestine laboratories in the precursor chemicals that are involved in making these drugs. I think DEA, nationally, seized in excess of 500 clandestine laboratories last year. In this area, we are probably in the six to eight, as far as the laboratories.

Senator DECONCINI. In 1986?

Mr. FISHER. Yes.

If you go back, we ran a sting operation here, if you will, back a few years ago, direct to that clandestine laboratory. I think what we have seen is a shift as a result of that. There was a lot of enforcement activity behind that. There were a lot of leads that were sent out to other parts, but initially through here, and then as it became a little more well known, we started to branch out into other parts of the country. But that was a successful operation. It was run here for 4 to 5 years. It just didn't make sense to run the operation any more. We finally shut it down.

Senator DECONCINI. Mr. Fisher, in the labs that you did take down last year, did you come across excessive or large amounts of chemicals there?

Mr. FISHER. We did. The lab—excuse me. I'm sorry.

Senator DECONCINI. You know, 55-gallon bulk drums.

Mr. FISHER. Yes; it would depend on the size of the laboratory, but it is not uncommon to run into amounts of that size, 55-gallon drums of various precursors and even up to 100——

Right now, I think, nationally, we have seen the shift to the Southwest. Our southwestern offices are very active in laboratories, and it is a major problem.

Senator DECONCINI. Mr. Chairman, if I can pursue that, as long as we have Mr. Fisher here, before we go on to Mr. McKenzie——

Regarding the flow of drugs from Mexico, are you able to identify that there is an increase coming into this area from the Southwest versus the Southeast or is it just that when it gets here, it is undistinguishable?

Mr. FISHER. No; I don't know that it is undistinguishable. This area has far less white heroin.

Senator DECONCINI. Yes.

Mr. FISHER. In this area, the primary heroin that we encounter here is the brown heroin, the brown Mexican heroin.

Senator DECONCINI. The Mexican.

Mr. FISHER. Basically, we ran Operation Durango. Actually, it was a cast of thousands. We all were involved in that. That was the brown Mexican heroin, basically, coming up from Durango, across the border, and on into the Southwest.

Senator DeConcini. When you get into the so-called Mexican connection, is it at all similar to the Colombian operation where it is controlled at the source countries to the families and the villages, as explained to us by DEA in other testimony?

Mr. Fisher. Yes; it is going to be very similar.

Senator DeConcini. It is?

Mr. Fisher. Yes; well, there are several different factions of the Herrera family here in this area.

Senator DeConcini. There are ample Mexican connections here to keep that tie or does it include Orientals and other groups?

Mr. Fisher. No; it is basically—that tie is maintained.

Senator DeConcini. It is?

Mr. Fisher. It is maintained. The drugs that we see—the brown heroin here, basically, it's heroin coming in in false gas tanks, drive shafts, and it is driven in. The money will go back in the door panels, what have you, back to Mexico.

Senator DeConcini. Is most of it brought in overnight?

Mr. Fisher. Yes; by far, the majority of it is. As was mentioned earlier, the heroin from Nigeria, that is the Southwest Asian heroin. A lot of that came in through O'Hare. That seem to blitz several of the different airports. We work very closely with Customs on that. And many of the cities in the Midwest, and we happen to be one of them. We had an operation here aimed toward that.

Senator DeConcini. What about from the North? Is there any coming in from Canada at all?

Mr. Fisher. We have not encountered that much. New York, I think, has had that problem in the past. I am not sure about right now. We have not seen that to a great extent here.

Senator DeConcini. Have you seen it go the other way?

Mr. Fisher. Somewhat the other way. We have worked—our Fargo office and our Minneapolis office has liaison responsibilities with the RCMPD Division. We have worked some cases with them. For the most part, it has been drugs on this side going across into Canada but, again, it has not been the levels that we have seen it here. I don't recall any heroin cases. There has been some marijuana and some——

Senator DeConcini. Mr. Fisher, regarding the flow of heroin and any other drugs from Mexico, is that on the rise or is it stable, would you say, in comparison to a 6-month or 12-month period?

Mr. Fisher. Here in the last—I would think, at least, maybe stable in the last year. We haven't seen——

Senator DeConcini. What would you call stable? What would you estimate that might be?

Mr. Fisher. Quantity is practically anyone's guess.

Senator DeConcini. What have you taken off or is that a question that you want to supply for the record?

Mr. Fisher. I would have to check the stats. I think we have seen in the last year—probably our seizures on heroin are going to be down over the previous year. I think a lot of that can probably be attributed to Durango and several other things, but——

Senator DeConcini. But the major amount——

Mr. Fisher. The major players in the Durango investigation were remanded in lieu of bail. I think that had an impact on them.

Senator DeConcini. For the record, can you supply to us, say, a 12-month comparison?

Mr. Fisher. I can get that for you.

[The information follows:]

FISCAL YEAR 1985 AND FISCAL YEAR 1986 DRUG SEIZURES

COMPARISON: CHICAGO DIVISION/AGENCY (NATIONAL)

	Heroin[1]	Cocaine[1]	Marijuana[1]	Dangerous drugs[2]
Chicago division totals:				
Fiscal year 1985	16.1	97.8	320.0	1,164,448
Fiscal year 1986	20.0	247.3	100.3	326,492
National (agency) totals:				
Fiscal year 1985	446.7	18,128.9	744,641.5	25,968,327
Fiscal year 1986	363.7	27,088.8	828,192.3	46,222,350

[1] Heroin, cocaine, and marijuana seizures are reported in kilograms.

[2] Dangerous drugs are reported in dosage units.

Senator DeConcini. If it goes down, that's fine. I am not expecting it to go up—in heroin, cocaine, and other drugs.

Mr. Fisher. Yes; I can have those, Senator.

Senator DeConcini. Mr. Valukas, do you have a limit on prosecutions of, say, marijuana?

Mr. Valukas. Do we informally set a limit?

Senator DeConcini. Yes; do you have a limit?

Mr. Valukas. I think marijuana cases, we take them as we go along. We don't prosecute many marijuana cases. Let's put it that way. The only marijuana cases we typically prosecute are those which are related to other drugs or a major organized operation; otherwise, we send it to the State.

With regard to cocaine, it fluctuates. I mean, frankly, the type of cases that we would have prosecuted 15 years ago when I was the assistant U.S. attorney, we won't even look at, at this stage in the game. I guess we probably set a limit of about one-half of 1 kilogram, unless we have some major organized activity or we think the person is, otherwise, a significant player. In those cases, under one-half of 1 kilogram, we are sending to the State.

Senator DeConcini. So if the DEA or FBI makes an arrest on some case that comes up with a couple hundred pounds of marijuana, you are not going to prosecute on that? Would you turn that over to the State?

Mr. Valukas. We would turn it over to the State. One of us would prosecute. It is a situation where——

Senator DeConcini. Does that work through the State's attorney?

Mr. Valukas. Generally speaking, what will happen is that we will look at the case. If we decide that we are not going to go with it, the agent will make contact with the assistant State's attorney and they will proceed. If there is some question by the agency as to whether or not they are getting served, they will simply call me and I will call the State's attorney's office or the State's attorney's office may call us because it is a complex case and ask us for reasons that we could use electronic surveillance and they cannot for us to undertake the investigation.

Senator DECONCINI. This is an unfair question to ask you, but the State's attorney doesn't have a feeling that you are not doing what the Federal U.S. attorney should do?

Mr. VALUKAS. No; I think that the State's attorney Daley would probably sit here and tell you that the two of us have a remarkably good working relationship. There are certain cases that they can prosecute more quickly and get better sentences than we can and there are certain things that we can do that they can't do. Our use of electronic surveillance in somewhat more sophisticated investigative techniques permits us to get up the chain to bigger players. They are in a position where, because of their resources and the resources of the State, they can put a large number of surveillance agents on a case that we can't put on, so that is why we work a lot of these task force cases and split the postage, if you will.

Senator DECONCINI. Thank you.

PREPARED STATEMENT

Senator DIXON. Thank you. We will insert your submitted statement in the record at this point and then move on to Mr. McKenzie.

[The statement follows:]

Statement of Philip Fisher

Mr. Chairman, Members: It is a pleasure to be here this morning to represent the Drug Enforcement Administration as your subcommittee examines the abuse and trafficking of illegal drugs in the Chicago area. I am the Special Agent in Charge of DEA's Chicago Field Division, one of 19 such DEA divisions across the country. We have a division compliment of 132 special agents and 21 diversion investigators.

The Chicago Division encompasses the states of Illinois, Indiana, Minnesota, North Dakota, and Wisconsin. In addition to the divisional office in Chicago, DEA has six resident offices in this area.

Internationally, the Chicago Division is concerned with drug trafficking across the United States/Canada border. Geographically, this liaison responsibility includes all of the Province of Manitoba and part of western Ontario, which is within the jurisdiction of the Royal Canadian Mounted Police's (RCMP) "D" Division. We work with the RCMP through the Chicago Division's Fargo, North Dakota and the Minneapolis, Minnesota Resident Offices.

Domestically, the DEA Chicago Division is involved in numerous cooperative drug investigative efforts, both Federally and also in Federal/state/local interagency efforts. We also participate in the North Central Organized Crime Drug Enforcement Task Force (OCDETF). Chicago is the core city for this region, which covers Illinois, Indiana, Iowa, Minnesota, and Wisconsin. DEA special agents work with representatives of the Federal Bureau of Investigation, the Internal Revenue Service, the Bureau of Alcohol, Tobacco, and Firearms, the U.S. Customs Service, the U.S. Coast Guard, the U.S. Marshals Service, the Immigration and Naturalization Service, the Chicago Police Department, and other state and local police agencies.

DEA is heavily involved in OCDETF investigations both in the Chicago Division Office and in all Resident Offices. At present, DEA is involved in 65 OCDETF cases in the North Central Region, 22 of which are based in Chicago. Since the program's implementation in January 1983, the North Central OCDETF Region has returned 262 indictments against 1,033 defendants. Over $16 million worth of assets have been seized.

No less important are our formal and informal liaison programs with other state and local counterparts. We have three formal state and local task forces operating within the DEA Chicago Division, and two of them are based in the Chicago metropolitan area. The other one is at the Minneapolis Office. They have conducted outstanding drug investigations, arresting major drug traffickers and seizing drugs and assets.

With the signing of an agreement between DEA and the Chicago Police Department, the DEA/Chicago Task Force became formalized in its present form in December 1974. Thirty-three Chicago Police Department officers are deputized as Special Deputy U.S. Marshals. One task force is staffed by 24 police officers and eight DEA special agents. Presently, the emphasis of this task force is on major investigations, and to date about 156 cases remain open pending final adjudication.

The other DEA/Chicago Task Force is called the O'Hare Airport Detail and is staffed by nine police officers and 12 DEA agents at the airport. The O'Hare Detail is charged with the interception of drugs coming through the airport facility. The program has been very successful. We have seized large quantities of drugs and money. The airport detail has expanded into a transportation program and this year we have also seized from trains: in excess of 40 pounds (five gallons) of liquid PCP, about five kilos of cocaine, one pound of heroin, and considerable amounts of marijuana.

This task force is also responsible for the initiation of a special program, under the name Operation Valkyrie, in which approximately 1,400 uniformed State Police officers were trained in drug trafficker profile techniques in order to seize drugs coming into Illinois from other states. The operation is directed toward smuggling by commercial and private aircraft, air freight, private land vehicles, and rail. Operation Valkyrie was developed through the cooperative efforts of DEA, the Chicago Police Department, and the Illinois Department of State Police.

The Chicago Division is entering its fourth year of participation in the DEA Domestic Marijuana Eradication/Suppression Program. During calendar year 1986, nearly 129.7 million (4.6 million cultivated) plants were eradicated nationally. Of that total, over 109 million (94,000 cultivated) plants were removed in the five states in the Chicago Division. Seventy-three weapons were seized and 299 persons were arrested in this division. DEA participation involved funding and training for the state and local personnel who accomplished the operational results.

Cooperation among Federal, state, and local law enforcement agencies, as well as with organizations such as State Farm Bureaus, was outstanding in this eradication program. This year we will conduct one training school under a curriculum developed by the DEA Chicago Division. Along with the training of pilots and spotters in aerial observation techniques, emphasis will be placed on subjects such as crop indentification, raid procedures, asset seizures, and familiarization with the relevant provisions of the Comprehensive Crime Control Act of 1984 and the Anti-Drug Abuse Act of 1986.

DEA provides other training as well. Through the Division Training Coordinator, DEA conducts 2 two-week law enforcement

SCHOOLS, ADVANCED DRUG ENFORCEMENT SCHOOLS, AND SEVERAL SEMINARS EACH YEAR TO TEACH FEDERAL, STATE, AND LOCAL LAW ENFORCEMENT PERSONNEL ABOUT A VARIETY OF SUBJECTS PERTINENT TO DRUG LAW ENFORCEMENT. IN FISCAL YEAR 86 IN OUR DIVISION, OVER 1,000 STATE AND LOCAL OFFICERS WERE TRAINED BY DEA. ADDITIONALLY, OTHER AGENCIES, NOTABLY THE FBI AND THE UNITED STATES ATTORNEY'S OFFICE, PROVIDE TRAINING TO DEA SPECIAL AGENTS, INTELLIGENCE ANALYSTS, AND DIVERSION INVESTIGATORS ASSIGNED WITHIN THE CHICAGO DIVISION.

I WOULD NOW LIKE TO FOCUS THE BALANCE OF MY REMARKS ON THE DEA CHICAGO DIVISION'S ENFORCEMENT PRIORITIES AND STRATEGIES. WITHIN EACH DIVISION WE TARGET THE HIGHEST LEVEL OF VIOLATORS/ ORGANIZATIONS AND DIRECT OUR EFFORTS AGAINST THOSE DRUGS THAT HAVE THE MOST DELETERIOUS IMPACT IN OUR JURISDICTION.

CHICAGO HAS HAD A HISTORIC ROLE IN HEROIN TRAFFICKING AND ABUSE. UP UNTIL THE PAST TWO YEARS, BROWN MEXICAN HEROIN WAS THE PREDOMINANT DRUG FOUND IN THE CHICAGO AREA. THIS BROWN HEROIN IS SMUGGLED INTO THE UNITED STATES THROUGH THE SOUTHWEST BORDER. FROM THERE, THE MOST COMMON METHOD OF TRANSPORTING THIS DRUG TO CHICAGO IS BY AUTOMOBILE AND SMALL TRUCKS. THERE ARE A LARGE NUMBER OF MEXICAN IMMIGRANTS LIVING IN THE CHICAGO AREA WHO REGULARLY RETURN TO MEXICO. THIS LARGE NUMBER OF TRANSIENT PERSONS PROVIDES A REGULAR AND AN IDEAL CONDUIT FOR THE SMUGGLING OF DRUGS.

ONCE IN CHICAGO, THE HEROIN IS DISTRIBUTED BY WHOLESALERS TO STREET-LEVEL DEALERS FOR FURTHER SALE TO USERS IN THE CITY AND SUBURBAN AREAS. SOME EVIDENCE SUGGESTS THAT MAJOR DEALERS IN CHICAGO MAY SUPPLY OTHER TRAFFICKERS THROUGHOUT THE MIDWEST.

FROM 1974 - 1978 LARGE AMOUNTS OF BROWN HEROIN WERE BROUGHT TO AND SOLD IN CHICAGO, PRINCIPALLY BY TRAFFICKERS IN CHICAGO'S

LARGE MEXICAN COMMUNITY. MEXICAN HEROIN TRAFFIC THEN BEGAN TO LEVEL-OFF AND SUBSEQUENTLY DECLINED FROM 1979 - 1981. THIS WAS IN NO SMALL MEASURE AS A RESULT OF THE MEXICAN GOVERNMENT'S OPIUM ERADICATION PROGRAM.

IN 1982, ONCE AGAIN, THE LEVEL OF HEROIN ACTIVITY BEGAN TO INCREASE. FOR EXAMPLE, CURRENTLY ON THE WHOLESALE LEVEL WE HAVE EXHIBITS IN THE 75 - 80 PERCENT PURITY RANGE WHICH SELLS FOR $110,000 - $150,000 PER KILOGRAM. AT A RETAIL PURITY OF BETWEEN 5 - 11 PERCENT, THE COST IS APPROXIMATELY $26,000 - $32,000 PER KILOGRAM. BLACK TAR HEROIN, ALTHOUGH SCARCE IN CHICAGO, IS AVAILABLE AT ABOUT 68 PERCENT PURITY AND SELLS FOR ABOUT $5,000 - $8,000 PER OUNCE.

IN JULY 1985, THE OPERATION DURANGO INVESTIGATION IN CHICAGO RESULTED IN THE ARREST OF 89 DEFENDANTS, THE SEIZURES OF ASSETS TOTALING APPROXIMATELY $3 MILLION, AND MULTI-KILO QUANTITIES OF HEROIN AND COCAINE. IN SIX SEPARATE INDICTMENTS, FIVE DEFENDANTS WERE CHARGED WITH CONDUCTING A CONTINUING CRIMINAL ENTERPRISE AND 30 WERE CHARGED UNDER THE RICO STATUTE. ALL DEFENDANTS WERE CONVICTED, AND THE PRIMARY DEFENDANT RECEIVED A 25-YEAR SENTENCE.

O'HARE INTERNATIONAL AIRPORT HAS BEEN AN IMPORTANT PORT OF ENTRY FOR SOUTHWEST ASIAN HEROIN SMUGGLED TO CHICAGO. THE PRINCIPAL COURIERS HAVE BEEN NIGERIAN, PAKISTANI, AND LEBANESE NATIONALS AND THE DISTRIBUTION HAS BEEN MOST PREVALENT IN LOCAL COMMUNITIES CONTAINING PERSONS OF THOSE EXTRACTIONS. THE PURITY OF THE SOUTHWEST ASIAN HEROIN RANGES FROM 20 - 100 PERCENT AND IS EXPENSIVE -- $180,000 PER KILOGRAM AND UPWARDS OF $50,000 FOR A POUND AT 70 PERCENT PURITY. OUR INVESTIGATIONS HAVE SHOWN THAT THIS HEROIN IS DESTINED FOR OTHER AREAS AS WELL AS CHICAGO.

IN 1986, THE CHICAGO DIVISION CULMINATED A NIGERIAN INVESTIGATION WITH THE RETURN OF A 129-COUNT INDICTMENT AND

ARRESTS OF 33 HEROIN TRAFFICKERS. IN ADDITION, APPROXIMATELY SEVEN POUNDS OF 40 - 50 PERCENT PURE HEROIN, 10 POUNDS OF COCAINE, AND OTHER DRUGS WERE SEIZED ALONG WITH $150,000 CASH/GOLD, THREE VEHICLES, AND FOUR HANDGUNS.

COCAINE IS IN LARGE SUPPLY IN ALL AREAS OF THE DIVISION, AND IS PARTICULARY EVIDENT IN THE CHICAGO AREA. COCAINE IS VERY POPULAR, WIDELY DISTRIBUTED, AND HEAVILY ABUSED. THE MAJORITY OF COCAINE ABUSERS ARE AT THE UPPER AND MIDDLE-CLASS ECONOMIC LEVELS, ALTHOUGH THIS DRUG HAS FOUND ITS WAY TO THE LESS AFFLUENT AS WELL.

THE PRIMARY SOURCE AREA FOR THE COCAINE ENCOUNTERED IN THE CHICAGO DIVISION IS FROM FLORIDA, ALTHOUGH NOW IT IS INCREASINGLY FROM MEXICO. IN SOME AREAS OF THE DIVISION, HOWEVER, COCAINE HAS BEEN BROUGHT IN FROM CALIFORNIA AND TEXAS. WHILE THE COLOMBIANS ARE STILL THE MAJOR WHOLESALE DISTRIBUTORS, THERE APPEARS TO BE AN INCREASING NUMBER OF MEXICAN TRAFFICKERS WHO HAVE BECOME INVOLVED IN COCAINE SALES IN CONJUNCTION WITH THE TRAFFICKING OF BROWN HEROIN. NUMEROUS INDIVIDUAL GROUPS APPEAR TO SELL COCAINE IN THIS AREA AS INDEPENDENT DEALERS.

THE COST OF COCAINE ON THE WHOLESALE LEVEL HAS DROPPED DURING THE PAST SEVERAL YEARS TO ABOUT $30,000 - $45,000 PER KILOGRAM AT 75 PERCENT PURITY AT THIS TIME. HOWEVER, THE RETAIL COST HAS REMAINED AT ABOUT $100 PER GRAM.

LAST YEAR, THE DEA CHICAGO OFFICE DEVOTED APPROXIMATELY 60 PERCENT OF ITS WORKHOURS TO COCAINE CASES.

AS SPECIAL AGENT IN CHARGE, I HAVE ALSO STRESSED ASSET REMOVAL (UNDER TITLE 21 OF THE UNITED STATES CODE, THE RICO STATUTE AND WITHIN THE PROVISIONS OF P.L. 98-473, THE COMPREHENSIVE CRIME CONTROL ACT OF 1984) AS A PRIORITY FOR THIS

DIVISION. TO MAXIMIZE OUR ABILITY TO SEIZE AND FORFEIT DRUG-RELATED PROFITS AND PROCEEDS, WE HAVE INITIATED SEVERAL TASK FORCES, SPECIAL PROGRAMS, AND JOINT INVESTIGATIONS. DURING FISCAL YEAR 86, THE CHICAGO DIVISION SEIZED OVER $15 MILLION AND, TO DATE IN THIS FICAL YEAR, THE DIVISION HAS SEIZED OVER $9.5 MILLION. THESE SEIZURES INCLUDE REAL PROPERTY, VEHICLES, BOATS, JEWELRY, GOLD AND SILVER, ETC.

ALTHOUGH THE IMPACT OF LAW ENFORCEMENT IS NOT ALWAYS VISIBLE, I BELIEVE THAT WE ARE HAVING SIGNIFICANT EFFECT ON DRUG TRAFFICKING AND ABUSE THROUGH COOPERATIVE ENFORCEMENT INITIATIVES AND, IMPORTANTLY, THROUGH OUR DRUG ABUSE EDUCATION EFFORTS. OUR STRONG ASSOCIATION WITH THE LOCAL LAW ENFORCEMENT COMMUNITY AND THE DEDICATION OF OUR CITIZENS TO REDUCE THE DEMAND FOR DRUGS HAS ESTABLISHED A FOUNDATION SO THAT WE CAN TAKE ADVANTAGE OF DISRUPTIONS IN THE TRAFFIC AS THEY OCCUR. WE ARE SEEING POSITIVE SIGNS THAT DRUG ABUSE EDUCATION AND PREVENTION EFFORTS ARE TAKING HOLD WITH OUR YOUNG PEOPLE.

WITHIN THE LIMITS OF OUR MISSION AND RESOURCES, THE DRUG ENFORCEMENT ADMINISTRATION IS COMMITTED TO SUPPORTING DRUG ABUSE PREVENTION AND EDUCATION EFFORTS. ON A NATIONAL SCALE WE HAVE LAUNCHED THE SPORTS DRUG AWARENESS PROGRAM -- TEAM UP FOR PREVENTION. TWO PROGRAMS WERE HELD IN THE CHICAGO AREA. THIS INITIATIVE USES THE UNIQUE TALENTS OF LAW ENFORCEMENT AND PROFESSIONAL AND AMATEUR SPORTS FIGURES TO REACH ALL AGES OF SCHOOL CHILDREN AND TEACH THEM ABOUT DRUG ABUSE IN THE CONTEXT OF ATHLETICS.

IN CONCLUSION, I WOULD LIKE TO STATE THAT THE DRUG ENFORCEMENT ADMINISTRATION IS ALL TOO AWARE OF THE THREAT DRUG TRAFFICKING POSES FOR OUR SOCIETY AND THAT WE REMAIN COMMITTED TO OUR PRIMARY MISSION, TO BRING TO JUSTICE THOSE RESPONSIBLE. THANK YOU, MR. CHAIRMAN, FOR YOUR CONTINUED PERSONAL INTEREST IN THE IMPORTANT ISSUE OF DRUG TRAFFICKING. I WOULD BE PLEASED AT THIS TIME TO ANSWER ANY QUESTIONS THAT THE SUBCOMMITTEE MAY HAVE.

Senator DIXON. I think we will move along to Mr. Jim McKenzie, if we may, and then we will just kind of talk to all of you on the panels. Mr. McKenzie.

STATEMENT OF JAMES D. McKENZIE

Mr. MCKENZIE. Thank you, Senator Dixon and Senator DeConcini for inviting me to make a few remarks.

I have a rather lengthy statement that I submitted for the record. I hope you have that.

Senator DIXON. We are aware of that.

Mr. MCKENZIE. Mr. Margolis has already identified me as the rookie in Chicago in November 1986, so some of the cases I will be talking about is a little ancient history. If you need a detailed report, I will be glad to furnish that for you.

The Chicago division of the FBI is the fourth largest in the country. It is kind of interesting, considering the fact that we only cover the 18 northernmost counties in Illinois.

Our priorities in the Chicago division are very similar to those that we have nationally and we have, I think, some key crime problems and key successes in each one of those areas, and they are organized crime, narcotics, white collar crime, foreign counterintelligence, terrorism, general property crimes, and personal crimes. In each of these investigative areas, we simply could not perform our mission without the cooperation of our sister Federal agencies and the excellent cooperation at the State and local level.

As I have looked at the levels of cooperation, I find aggressive prosecutors in the U.S. attorney's office and at the local level. I see the small problems that you were discussing earlier today, once in a while being written about in the press, but you find that when you get to the leadership of a particular organization that it usually is an incident that is overblown and, perhaps, some individual had motives, if you discuss and put it in its true perspective.

One area that has not been touched on is organized crime in the city of Chicago. If you saw the Chicago Sun Times this morning, when they were talking about the movie that was filmed here on the "Untouchables," one reporter said that organized crime is good for Chicago because when Chicagoans travel abroad, terrorists see the stickers on your bag, "From Chicago," and don't bother them. I am not sure I agree with that analysis.

Chicago is a good town with a lot of good and honorable people, but it also has a reputation of organized crime groups operating in the city, you know, for many, many years. I think that history is self-evident. It exists today. It covers the spectrum of criminal activity. It includes gangland slayings. As a matter of fact, I saw a statistic published by the Chicago Crime Commission that since 1919, and that's when they began keeping records, they have listed 1,239 gangland type slayings in the city of Chicago. They are involved in extortion, prostitution, gambling, loan sharking, and stolen property. One of the unique things in my experience about the Chicago syndicate is that they have thugs who seem to collect a street tax for any type of criminal activities that goes on.

In the narcotics area, Friday, as Mr. Valukas mentioned, we had an extremely successful national takedown of the *Cash Web* case, which, I might mention, was just chapter No. 2 of a very extremely successful operation that DEA took down a few weeks before that, basically attacking the Colombians and their networks through a money-laundering operation. We have a small piece here in Chicago, well, a small amount. We are still counting the money this morning; $2.3 million is the estimate of the recovery. That particular location, we believe that approximately $5 million has been washed through that location before we conducted our raids, so the case is of major significance. The individual, who we arrested, Mario Pasada, was a Colombian registered alien. He was arrested Friday and is being charged under the new Money Laundering Act. All in all, a very successful case nationwide and, as I say, we had one small part. Miami, New York, undercover agents from the FBI around the country were involved. It was, you know, just an excellent case, and I will be happy to answer questions about that.

I do need to mention the corruption. Mr. Valukas touched on it. It is one of his top priorities. It is also one of mine. I think we have an outstanding record of achievement in, really, three major areas: The Greylord investigation, investigating the judiciary; the *Incubator* case, investigating city corruption; and Operation Phocus, investigating, the inspection service in this area, in city and local government.

The Chicago office of the FBI, as mentioned by Director Margolis, the Chicago Police Department, the Illinois State Police, really, have an outstanding record as a result of this joint terrorism task force. I think, perhaps, it is significant that of the convictions that we have obtained, there are, at least, three instances of terrorists acts prevented. I don't know how you really take credit for that, but there are situations where we have been able to keep terrorists from committing an act. The thing that comes to mind is some bombings that were proposed about 1983, on July 4, here in the city of Chicago. We were able to find out about it and stop it.

Interestingly enough, not only are we able to prevent some crimes in the terrorist area, but I think, because of the unique abilities that State police have, combined with their sister fellow agencies, who have a certain expertise, we are able to do the job better. An example of that is that the task force can cover a lead virtually anywhere in the Nation in a matter of minutes or hours. We can even reach out and do some investigation internationally, if the case might need it. By the same token, the Chicago Police Department is the only one I know of who can put an officer on the street corner in 12 minutes. Certainly, there isn't a Federal agency here with enough manpower to do that. So we bring those unique capabilities together to bear upon the criminal problem. One outstanding example of that, if I could just elaborate for 1 minute, is an apprehension recently of a fellow by the name of Connor and Dougherty, 2 top 10 fugitives, who had escaped and were robbing banks around the country. We learned through an authorized Federal title III intercept that they had planned a robbery here in Chicago. It put a tremendous amount of pressure on all law enforcement to find those people and arrest them before they committed that bank robbery. So, perhaps, our pressure was artificial, but when you consider the fact that their modus operandi was to invade somebody's home with weapons, take them hostage, and take them to the bank the next day, we could see that a serious crime was about to take place and we just had to thwart it. One thing we did find out, that might be able to use some improvement, since you are a member of the Banking Committee, Senator Dixon. We wanted to notify the banks when we thought the robbery was going to take place on the weekend, so we contacted the banking association and, unfortunately, their notification network isn't as sophisticated, perhaps, as it should be, so notifying the banking association simply didn't do the job. We ended up putting the notification out on the State's law enforcement police network that, perhaps, the bank would be robbed the following day and, unfortunately, those messages are picked up from State to State, so we had people calling in from North Carolina worried about being taken hostage in a bank robbery when the real focus of the problem was here in Chicago. We were successful in apprehending both parties, Dougherty and Connor, and stopping the bank robbery that was about to occur.

Recently Jeremy's people had an undercover State police officer who came to us and we worked the investigation jointly. It was a bank robbery where we ended up arresting three people. They were going to use a bombing as a diversion and rob a bank, and we have been successful in bringing this matter to justice before the crime occurred.

I think, if there is a unique benefit of the type of cooperation that I have seen in the northern district of Illinois, it is that we are utilizing those special abilities in the very best way possible.

I know that you had some questions for me on the *Pizza Connection*, sir. Unfortunately, I wasn't here, but I do have some information that I have prepared for you and, maybe, I can share that with you.

Senator DECONCINI. Please do.

Mr. MCKENZIE. The *Pizza Connection* case was worked jointly with the New York office and Newark and many other FBI offices, and other Federal agencies and foreign governments. There was an investigation of a massive conspiracy with international narcotics and money laundering. The investigation revealed the Sicilian Mafia boss, Gaetano Badalamenti, had a representative in Oregon, IL, who was identified as a broker, supplying huge amounts of white heroin to leaders of the Sicilian faction of the Bonanno family in New York City. Additional co-conspirators were identified in Illinois and elsewhere. Badalamenti and his Illinois representative, Pietro Alfano, were subsequently arrested in Spain, primarily, I understand, through the efforts of the FBI, Chicago. Coordinated arrests and searches in many United States cities, and Italy, followed and subsequent evidence was seized. Following a 17-month trial, 18 defendants, including Alfano and Badalamenti, and 2 other Illinois residents, were convicted in New York of narcotics and related offenses.

Senator DECONCINI. Mr. McKenzie, I am aware of that, especially after having had hearings with Mr. Rudolph Giuliani. The prosecutor, Mr. Yamo, wasn't there. Let me ask you about the particular extension and cooperation with Italy that extended this far without divulging anything. Do you still have a significant amount of the so-called Sicilian Mafia operating in Chicago, or did this make a substantial dent in that particular organized crime organization?

Mr. MCKENZIE. We still have Sicilian Mafia operating in Chicago.

Senator DECONCINI. What about other large ethnic groups, such as Hispanics. Are they as organized as the Colombians or the Sicilian/Italian connection has been?

Mr. MCKENZIE. Yes; we are finding that they are. Our approach, and the FBI's as well I'm sure, is to try to look at the big network and work with long-term investigations that had a multitude of problems in those countries, sir.

Senator DECONCINI. Well, the FBI is the greatest agency in the world for law enforcement, as far as this Senator is concerned. This seems to be the first international case to get to the groups of organized crime. That is the testimony given by your FBI agent in charge in New York—that they finally got to the source and was able to build this case and no dispersions over past problems organized crime has been involved in because there have been some great cases, but it is interesting that you have expanded yourself. Is that true, without divulging what you are doing, of course, in other areas as well?

Mr. MCKENZIE. Yes; it is.

Senator DECONCINI. Cases going outside of just Chicago, whether it is a Hispanic organized crime organizations, an Oriental organized crime organization, or a mixture, are you expanding outside, as this case did?

Mr. MCKENZIE. Yes; I would say we are, and I would set the stage for it just by saying that it is a building block-type of effort. The success with the *Pizza Connection* case is merely a building block. We will be able to use some successful techniques, perhaps, that we had in that case, and some successful approaches, I think, to have additional successes in the future. The same is true with our efforts, both DEA and FBI, and everybody else, in connection with the Colombian- and Mexican-type investigations. Those successes, like the *Durango* cases we have had in the past, I think, tell us more and more about these organizations. So we have started actually getting out of the starting box a little earlier in our new investigative processes than we were before because before we were, perhaps, operating in the unknown.

Senator DECONCINI. In that *Pizza Connection* that was laid out for us at the hearing, financial institutions, such as E.F. Hutton and Merrill Lynch, were indicted in the money-laundering process; and as you know, Senator Dixon is on the Banking Committee. Was reference made to the need for more law enforcement, or if not, some specific type of law enforcement changes. Did you receive adequate cooperation from the banking and other financial institutions of turning over information to you or to the authorities, when large cash deposits and/or transfers were made?

Mr. McKENZIE. I am afraid I really can't answer that from personal experience. I don't know that the topic has come up.

Senator DECONCINI. Mr. Valukas?

Mr. VALUKAS. I can't answer that.

Senator DIXON. I might say that Mr. Valukas has testified a couple of years ago about this question.

Mr. VALUKAS. And before I left there, I wanted to thank the committee because after we testified, we got the money laundering bill which we were hoping for and it has been of an immense assistance to us.

In response to your question, Senator, we began a program in the northern district of Illinois of speaking to all the banking associations and reminding them not only of their obligations but the consequences of not fulfilling those obligations with regard to reporting money-laundering problems. As a result, we regularly hear from many banks, sometimes on an informal phone call. Someone will pick up the phone and say, "Look. I just want to tell you that something has happened and we think it is suspicious," which is of immense assistance because we now have a major investigation underway which came as a result of one of those phone calls by an alert vice president. We have pursued that matter. It goes forward. A number of them are going forward right now. I think banks, as a result of the legislation which was passed and our program to educate the banks on the consequences of not being cooperative, have become a good source of information and I think as a result of that people who are engaged in money-laundering operations are going to find it increasingly more difficult to use the honest system and have to go to the system which we knocked off this week.

Senator DECONCINI. What about the cases you are investigating and you find the transfer of moneys and you give notice to that institution to not advise or to disclose that information? Have you come across, as the *Pizza* case did with several of the large brokerage houses, one cooperating and another one not cooperating, according to the FBI, and going on and disclosing it to the so-called customer or client, or have you had cooperation? Have you had any cases like that where you have asked Merrill Lynch—I just use them as only an example for institutions—that you are doing an investigation on certain clients and what have you—not to disclose that you are doing so?

Mr. McKENZIE. I think I could find out for you. I would have to say that I am certain that, if there was a lack of cooperation, I would have heard about it. I was not advised of that.

Senator DIXON. Mr. Valukas, you were going to suggest something.

Mr. VALUKAS. We have had that situation.

Senator DECONCINI. I have forgotten what they call that, Mr. Valukas. A request to not disclose or something.

Mr. VALUKAS. We requested nondisclosure in one instance and Mr. McKenzie wouldn't be aware of it because what we did was: The minute we saw some sort of reticence on the part of the bank officer, we simply went before the chief judge in a closed proceeding and got a court order, ordering them not to disclose it.

Senator DECONCINI. What about just a notice? Do you find the institutions cooperative or do you use just a notice or do you get a court order?

Mr. VALUKAS. The answer is that we rely, in part, on our—if we talk to the bank officer and he indicates that they will not give notice at our request, then we will rely on that and we have had a number of banks which have taken that approach. We have had the instance where a bank has indicated, "We don't want to be in the middle of this," and we said, "Fine. You are not going to be in the middle of it because we are getting the court order," and we got the court order, so sometimes it is honored and sometimes, if we feel that it is not going to be honored, we are going to get a court order. We can't take the chance.

Senator DIXON. I am pleased to hear you say that the new legislation has been a great tool to you. I recall your testimony a couple of years ago supporting that legislation. I believe my information is the north central region is still the area where most money is being laundered around the country. Is that true?

Mr. VALUKAS. I think the north central region is a region which is a secondary source for money laundering. There is no question that the major sources will continue to be the coastal locations: Miami, New York, and Los Angeles. From my conversations with the U.S. attorneys there, they deal in larger numbers, but we have, I would guess, probably, in excess of 2 dozen money-laundering investigations going in this district on various aspects of it.

Senator DIXON. How do they generally do that? That is to say, is it largely done with banks or other methods, of course, as well?

Mr. VALUKAS. You will see different levels. One level is simply to have a number of different people go into several different banks, as organized gangs, in essence, putting $5,000 into one bank, $3,000 into another bank, $5,000 into a third bank. It is a form of having a large number of, if you will, mules simply carrying the money in.

And we have situations which we are looking into right now where you have transactions; that is to say, someone will create artificial losses in an exchange, for instance, and then move the money that way. That is to say, you might have an offshore trust losing money in the market and then, you know, recouping the gain to get somebody on a prearranged trade.

The more common aspects of what we are seeing, for instance the case which went down the other day was simply moving cash. That is to say, the cash was delivered to a location and it was moved to another location outside of the district. We became a source for the laundering here, but the money wasn't generated in the Chicago land area. It was generated elsewhere.

Senator DIXON. What is most of the money generated from, the drug traffic or——

Mr. VALUKAS. Drugs. The immense amount of drug trafficking is such that it is a physical problem. I mean, we are talking about barrels of cash the other day, how to get rid of barrels of cash, and that's just one small operation.

Mr. MCKENZIE. I think they take the money—you know, Chicago is a major financial center. That's one of the reasons, I think, that we are a key location, as New York. The problem is making this money appear legitimate and getting it out of the country, so those obstacles that they have are our best approaches. In the *Cash Webb* investigation, I believe that the Federal people were merely picking up money. I think we had to do this in order to get evidence. We handled, roughly, $175 million, and most of this money wound up probably in some bank accounts out of the country, and we have seized, I believe, 59 bank accounts out of the country in connection with this case. We're not exactly sure how much money is in there.

Senator DIXON. One of you have referred in your testimony to the chop shop problem, which is an old experience of mine, as the Secretary of State, when I used to cooperate with the State police and the Federal Bureau of Investigation and other law enforcement agencies in connection with that problem when, I think, this area was the chop shop headquarters for the cutting more or less. Has that been to any extent successfully addressed? I know it is still a major problem, of course.

Mr. MCKENZIE. It still is a major problem. I think we have 48,000 automobiles stolen, or reported stolen, I should say, each year. We run the major undercover operation with the Chicago Police Department and the Illinois State Police. In one deal with automobiles, we recovered over 1 million dollars' worth of automobiles and about 100 vehicles were involved in that case, and surprisingly enough, 65 out of 100 of those chop shop pieces happened to be insurance giveaways. In other words, people had reported their cars stolen in order to collect the insurance funds given to the salvage operation and the salvage operation cuts them up and sells the parts.

The second area is the area of tractor-trailer rigs. Tractor-trailer rigs, I guess, are valued at about $50,000 apiece. We've just recently brought down a very successful operation concerned with rigs. It is the same M.O., you know, stealing the rigs, cutting up and——

Senator DIXON. It is easy to say that you shouldn't steal an elephant, but they do it all the time now.

Mr. MCKENZIE. Jeremy might have something to add.

Mr. MARGOLIS. Senator, I raised it in my testimony. It is one area where on the one hand you have the amazing level of cooperation. The Secretary of State's police is involved in it. The FBI, the Chicago police, the State police, and other jurisdictions, geographically, they become involved. There is tremendous support from the U.S. attorney's office and the respective States' attorneys' offices. It is difficult to determine in an area where crime is so large and so endemic and involves so many otherwise regular people how much of a difference we make, but we do believe that, in terms of the organized criminal element, they are doing this as a major business. The chop shop task forces have made some level of meaningful impact.

Senator DIXON. Are most of these cases of major crime experiences in this general community organized crime situations with reference to all phases of it, chop shops, drugs, and all the major types of crimes that you folks have testified about? Are they mostly organized?

Mr. MCKENZIE. I think my impression is that the Chicago mob, Chicago syndicate, is a multinational organization. It is Americanized, if you would. They are really looking for the things that make a buck, as opposed to what language you might speak. The group is very close knit. We have found organized criminal enterprises dealing in theft operations; dealing in terrorist operations, as the El Rukns. These people are organized in their own way.

Senator DIXON. They are an organized crime family in their own way, the El Rukns, are they not?

Mr. MCKENZIE. Yes; they are.

And once in a while we will investigate a problem area, and tractor-trailer cuts, I believe, would be the area that, perhaps, would be the best example. Your career criminal group, this is what they do for a living, and you find out that next year there is a drastic reduction in crime in that particular area.

Senator DIXON. You are not suggesting though that there is a relationship between what is referred to here as the outfit and El Rukns, are you?

Mr. MCKENZIE. No; I'm not.

PREPARED STATEMENT

Senator DIXON. They are a separate organized crime group?

Mr. MCKENZIE. Although, I would suggest to you that the El Rukns, if their group were involved in any kind of criminal activity in the city of Chicago and the mob found out about it, they would probably be paying street tax.

[The statement follows:]

STATEMENT OF JAMES E. McKENZIE

On behalf of the Federal Bureau of Investigation and specifically the Chicago Division, I want to take this opportunity to thank Senators DE CONCINI, DIXON, DOMENICI and the Senate Subcommittee on Treasury, Postal Service and General Government agencies for inviting me to speek today and discuss items of mutual interest and concern.

The Chicago Division is the fourth largest Office in the FBI, staffed with just under 400 Special Agents. The investigative priorities of this Division are similar to the national program priorities set forth at FBIHQ. I am proud to report that the Chicago Division is a viable and productive investigative agency with noteworthy results in all major priority programs.

As you are aware, I am prohibited from discussing specific information concerning pending investigations and I am also prohibited from discussing matters involving the Foreign Counterintelligence Program.

I would like to take this opportunity to note our priorities as well as some of our accomplishments over the past few years:

I. ORGANIZED CRIME

At the present time, the resources of the Organized Crime (OC) Program in the Chicago Division are devoted exclusively to investigations directed at the current hierarchy, membership and associates of the Chicago family of the La Cosa Nostra (LCN). More commonly referred to in Chicago as the "outfit," "syndicate, or "mob," this group is one of 25 LCN families believed to be operating nationwide. As a result of investigations conducted by the Chicago Division in conjunction with other Divisions of the FBI, several members of the Chicago LCN hierarchy have been convicted and are presently incarcerated. They include Chicago LCN Boss JOSEPH JOHN AIUPPA, and Underboss JOHN PETER CERONE. Three investigations, highlighted below, resulted in these and other significant prosecutions and convictions which have dramatically affected the structure of the Chicago LCN.

The Chicago LCN is heavily involved in traditional organized crime activities such as gangland slayings, gambling, loansharking, extortion and prostitution. The Chicago LCN controls these illegal activities and others through the collection of a "street tax" extorted from the individuals involved in these activities.

I would like to discuss three specific investigations which have impacted on (OC) in Chicago:

The first investigation, which the FBI refers to as the PENDORF investigation, charged that ROY LEE WILLIAMS, President of Illinois Brotherhood of Teamsters (IBT); ALLEN M. DORFMAN, a Chicago Insurance Executive with long-time OC connections; JOSEPH LOMBARDI, a Chicago OC Street Boss; and two others conspired to bribe U.S. Senator HOWARD CANNON, Chairman of the Senate Commerce Committee, in exchange for favorable legislation which would deregulate the trucking industry. All of the defendants were convicted, although ALLEN DORFMAN was murdered gangland style prior to his sentencing.

The second investigation, commonly known as the

"STRAWMAN" investigation, resulted in the conviction of Chicago LCN Boss JOSEPH AIUPPA, Chicago LCN Underboss JOHN CERONE and Chicago LCN Street Boss ANGELO LA PIETRA, and once again, JOSEPH LOMBARDO. This investigation also resulted in the convictions of the bosses of the Kansas City and Milwaukee LCN families. The investigation was conducted by several offices of the FBI and was directed at the hidden ownership and skimming from Las Vegas casinos. More than 150 FBI employees participated in the investigative and prosecutive phases of the case. Each of the individuals convicted received substantial sentences, periods of incarceration and fines.

The third investigation, which I am able to discuss, is referred to as Operation "SAFEBET." This is a joint investigation involving the FBI and Internal Revenue Service (IRS). The results of this investigation demonstrated OC control of numerous houses of prostitution as well as their ability to obtain police protection for their illegal activities. This investigation began with an FBI undercover operation in which FBI Agents opened up a processing service wherein houses of prostitution were able to clear credit cards used by their customers. To date 40 individuals have been charged and 28 have been convicted. Two of those indicted were MICHAEL and VICTOR SPILOTRO. The bodies of MICHAEL SPILOTRO and his brother, TONY SPILOTRO, were discovered in an Indiana cornfield in June, 1986. TONY SPILOTRO was well known for his role as Chicago's OC representative in Las Vegas. VICTOR SPILOTRO recently pled guilty in U.S. District Court. The investigation into the murders of the SPILOTRO brothers remains active in this office.

The Chicago Division of the FBI continues with investigations in furtherance of an effort to identify the full scope of the Chicago LCN's operation and activities. These investigations are being conducted in cooperation with other Federal and local law enforcement agencies and are anticipated to ultimately result in the indictments and convictions of other members and associates of the Chicago LCN.

I. (A) NARCOTICS

The Chicago Division's Drug Enforcement Strategy mirrors the FBI's National Drug Strategy which is, investigative efforts and resources are focused on OC networks controlling significant segments of the illegal drug market. In the Chicago Division, these efforts are directed toward investigations of the Sicilian Mafia, Colombian/South American trafficking organizations and Mexican networks that are responsible for importing and distributing large quantities of cocaine and heroin into and throughout the northern Illinois area. Cases are pursued with the twofold objective of neutralizing these criminal networks and seizing their illegal profits. Our efforts are supplemental to, and closely coordinated with, the Chicago Division of the DEA.

Our intelligence base indicates that the most seriously abused drug is cocaine, followed in priority order by brown heroin, dangerous drugs and marijuana. Money laundering associated with narcotics trafficking, especially with regard to Colombian and Mexican trafficking organizations, is a problem that we are addressing.

The Chicago metropolitan area has the third largest ethnic Mexican population in the United States, approximately 340,000, and led only by Los Angeles and San Antonio. While the overwhelming majority of these individuals are honest, hard-working people, this concentration of a population, with ties to

Mexico, facilitates the activity of the traditional Mexican narcotics traffickers.

The main cocaine trafficking groups we are working are the Colombian and South American traffickers. There are approximately 40,000 Colombians in the Chicago area, many of whom are illegal aliens involved in illegal drug trafficking. We estimate that approximately half of them are illegal aliens and that over half of these are somehow involved in illegal drug trafficking. Our current joint intelligence efforts with DEA have identified many groups as having considerable trafficking patterns and participants. We are targeting the largest and most powerful groups that are associated with international trafficking organizations based in Los Angeles, Miami and Colombia.

Our efforts to date against major narcotics trafficking organizations have resulted in significant accomplishments. Some of these major investigations are as follows:

The CARLOS M. SANTIAGO/JESUS HERRERA investigation was a joint Organized Crime/Drug Enforcement (OCDE) Task Force investigation that initially focused on a Puerto Rican narcotics distribution network on the northwest side of Chicago. The investigation moved from the Puerto Rican network to their suppliers of brown heroin, the HERRERA family from Durango, Mexico. At this point in the investigation, DEA, ATF, IRS, U.S. Customs, U.S. Marshals, the Chicago Police Department and the Illinois Department of Revenue joined into the investigation. The case expanded to El Paso, Texas; Denver, Colorado; Gary, Indiana and Los Angeles, California. Title III electronic surveillance coverage was initiated October 12, 1984 and continued until July 23, 1985. On July 23, 1985, approximately 450 Federal, state and local law enforcement officers arrested 123 individuals and seized 47 residences/businesses and seized in excess of 2 million in other property such as cash, jewelry and automobiles. To date, 50 individuals have been jointly convicted of narcotics related violations as well as RICO and Continual Criminal Enterprise (CCE) charges. Sentences have ranged up to 30 years in prison. Aspects of the case are still pending.

Another major investigation in Chicago was the "Pizza Connection" case which was worked jointly with New York, Newark and many other FBI Field Offices, other Federal agencies and foreign governments in the investigation of a massive conspiracy of international narcotics and money laundering. Investigation revealed that the Sicilian Mafia boss GAETANO BADALAMENTI had a representative in Oregon, Illinois, who was identified as a "broker" supplying large amounts of white heroin to leaders of the Sicilian faction of the BANANNO Family of LCN in New York City, New York. Additional co-conspirators were identified in Illinois and elsewhere.

BADALAMENTI and his Illinois representative, PIETRO ALFANO, were subsequently arrested in Spain primarily through the effort of the FBI, Chicago Division. Coordinated arrests and searches in many U.S. cities and Italy followed and subsequent evidence was seized. Following a 17 month trial, 18 defendants (including ALFANO, BADALAMENTI and two other Illinois residents) were convicted in New York of narcotic related offenses.

II. WHITE COLLAR CRIME

The Chicago Division's second priority, White Collar Crime (WCC), is considered one of the most successful and productive programs in the FBI. The major thrust of the WCC

Program is directed toward Public Corruption, Financial Crimes, and Fraud Against the Government. In the area of Public Corruption, probably the most noteworthy investigation ever undertaken in the United States is the Chicago Division's "GREYLORD" investigation. This investigation, which initially began as an undercover operation, has targeted judicial corruption in the Cook County Court system. This investigation, which began seven years ago, has to date resulted in 66 indictments and 58 convictions (including 9 Judges, 38 Lawyers, 2 Clerks, 7 Police Officers, 9 Deputy Sheriffs and 1 court-appointed receiver). As a direct result of GREYLORD, local reforms have been implemented and efforts are underway to bring merit selection to the state judiciary.

Corruption in city government has been highlighted in the "INCUBATOR" investigation. During this investigation, the FBI directed a cooperating subject in an 18 month undercover operation which resulted in the indictment of 17 individuals including 4 City Aldermen, the Clerk of Cook County Court and the Deputy Director of the Chicago Police Department of Revenue. Ancillary investigation in Chicago has resulted in 26 additional indictments.

Another investigation centered on corruption in the licensing procedures in Chicago and has resulted in the indictments of 32 individuals and 30 convictions to date.

The second category in our WCC Program involves Financial Crimes. These types of cases include Bank Fraud and Embezzlement, sophisticated fraud schemes using interstate communication systems, commodities frauds, market manipulations, bankruptcy frauds and copyright and trademark violations. Contrary to popular belief, the FBI does not investigate tax frauds; however, these financial crime cases frequently lead to tax violations, so many of our cases are worked jointly with the IRS, as well as the U.S. Postal Inspectors and the U.S. Secret Service. With Chicago being one of the major financial centers in the world, we have cases of major significance.

Criminal activity has led to more failures of financial institutions in this country in the past two to three years than at any time in our history. Several bank failures have occurred in our territory and FBI investigations are being pursued. Major frauds have occurred at our largest banks. Two men were convicted during the past year after they secured a loan of over 20 million dollars from the largest bank in the city. Three other men were indicted in connection with loans purchased by one of the largest banks in the city from a bank which eventually failed in Oklahoma. This severely weakened the Chicago bank and required a substantial loan from the Federal Deposit Insurance Corporation (FDIC) to avoid catastrophic financial impact.

In the Fraud Against the Government area, the FBI works cosely with the Inspectors General from the various Federal agencies. Many of these cases, which usually involve fraudulent statements made to obtain Federal money, are often closely related to corruption type cases. Program Fraud or Contract Fraud are the common types of violations. False statements made to obtain Federal funding are indicative of Program Fraud, while false statements to obtain government contracts are commonplace in Contract Fraud. Bribes are commonly offered and/or received. Civil remedies as well as criminal prosecutions are goals in these cases which can lead to substantial fines, suspensions or debarments.

III. FOREIGN COUNTERINTELLIGENCE

The third priority Program in the Chicago Division is Foreign Counterintelligence. As I noted earlier, I am prohibited from discussing the FBI's involvement in this area.

IV. TERRORISM

I am extremely proud to note the significant accomplishments of the Chicago Division which are directly related to the tremendous efforts of the Chicago Terrorist Task Force (CTTF). The CTTF was formulated in early 1982 as a vehicle through which Chicago area law enforcement agencies engaged in the investigation of terrorist groups could work together for the benefit of all. It is composed of representatives of the Chicago Police Department, the Illinois State Police and the FBI and is directed by an FBI Supervisory Special Agent. All members of the task force possess security clearances to facilitate the exchange of information and non-Federal members have been deputized as U.S. Marshals to enable them to travel across state lines during the course of investigations.

The initial investigation embarked upon by the task force was of the Puerto Rican terrorist group known as the FALN, which group has perpetrated over 120 bombing attacks in the United States since 1974. Through exhaustive investigation in 1982 and early 1983, the task force was able to locate several clandestine FALN safe houses in Chicago, southern Illinois, New York, and Kansas. They were also able, through the Title III provisions of the Omnibus Crime Bill of 1968, to monitor by video and audio means the FALN's operations in these locations. This investigation permitted the task force to prevent a prison escape by FALN leader OSCAR LOPEZ from Leavenworth Penitentiary, which otherwise would likely have succeeded; thwart an armed robbery of the Chicago Transit Authority; apprehend long-time FALN fugitive WILLIAM MORALES in Mexico; and prevented a series of bombings that were to occur in Chicago over the July 4, 1983, weekend. Four FALN members were arrested, tried and convicted of seditious conspiracy as a result of this investigation and three were sentenced to lengthy prison terms.

Although the 1982-1983 investigation of the FALN hurt this group, it did not eliminate its threat; and in early 1985, the task force was again engaged in a very intensive investigation of still another FALN effort to liberate OSCAR LOPEZ from Leavenworth. This investiation culminated in July, 1986, with the arrest of several alleged conspirators in this prison escape effort which invoIed the use of explosives. All totaled, seven subjects have been indicted by a Federal Grand Jury in this escape conspiracy and four others have been named in material witness warrants. A total of five individuals are awaiting trial in Chicago, tentatively scheduled to commence in September, 1987; and six individuals are being sought on fugitive warrants. Two of these fugitives, CLAUDE DANIEL MARKS and DONNA JEAN WILLMOTT, were recently named to the FBI's Top Ten Fugitive list. During the course of this lengthy investigation, task force members traveled across the country and were involved in the discovery of two safe houses in California that were used by heretofore unknown clandestine terrorists. These individuals subsequently fled and weapons, explosives, false identifications and other items relating to terrorist activities were recovered.

Although the FALN has occupied a great deal of the task force's time and resources, the unit has nonetheless become involved in several other significant investigations. During most of the early part of 1986, the task force actively investigated the El Rukn organization in Chicago and eventually developed a case that led a Federal Grand Jury in Chicago to indict six individuals for allegedly conspiring to commit a terrorist act on behalf of the Libyan government. Five people have been arrested in this matter and 40 weapons have been recovered. One man remains a fugitive. Trial is expected to commence in late 1987.

Also during 1986, the task force developed information concerning an impending invasion of the country of Suriname in South America by a group of United States mercenaries including a Chicago area resident. Through thorough investigation and the use of task force undercover operatives, the task force was able to develop sufficient information making it possible to apprehend a total of 14 subjects in Louisiana as they prepared to board an aircraft destined for Suriname. Thrity-two weapons, many of which were automatic, were recovered. So much evidence had been developed in this matter that all 14 subjects subsequently pled guilty to Federal charges filed in Louisiana.

V. GENERAL PROPERTY CRIMES

The fifth priority of this Division is in the area of General Property Crimes. Property crimes in the Chicago area represent one of the most pervasive criminal problems confronting law enforcement. The General Property Crimes Program in the Chicago FBI is designed to target career thieves who specialize in auto theft and the chopping of autos for parts, cartage thefts and major interestate transportation of stolen property violations with emphasis on Top Thief Target groups who specialize in major thefts from commerical institutions. The limited resources available to us require that we prioritize criminal problems and work in concert with other local and state law enforcement agencies in order to achieve mutual goals and to prevent overlapping of effort. Our program is particularly designed to address the career theif who crosses both local and state boundaries in commission of his crimes.

The first priority of our program is auto theft and the related criminal problems dealing with the chopping of automobiles, the sale of stolen parts and give-up of automobiles by owners who falsely report their vehicle stolen in order to defraud insurance companies. During the past year, approximately 48,000 cars were stolen in Chicago. A major focus of this problem is the illegal operation of salvage yards which, in concert with auto thieves, steal cars in order to chop them for their parts. During the last several years, the FBI has conducted two major "chop shop" investigations: one of which was code named CHISEL, a joint operation with the Chicago Police Department; and the other a major south side salvage yard operation. Both cases have resulted in 45 convictions and/or indictments. Additionally, during the last three years, we have operated two joint undercover operations with the Illinois Secretary of State Police Department in order to address auto theft and insurance fraud "give-ups." Over 100 cars with an aggregate value of over one million dollars have been recovered and, interestingly enough, 66 of these vehicles were given up by their owners in order to defraud insurance companies. Although accurate statistics regarding insurance "give-ups" are not available, auto theft investigators estimate that between 25 and 35 percent of stolen automobiles which are not recovered represent insurance fraud. The stolen auto parts industry has created one of the most voluminous and perennial criminal problems in Chicago and, despite investigative efforts, has not subsided over recent years.

An often unnoticed but constant problem is the theft of semi-tractors which range from 15 to 40 per month in the Chicago area. With an approximate value of 50 thousand dollars per unit, this property crime problem has required particular attention. The community of thieves dealing in the theft of tractors and the chopping of them for parts is small and close-knit. However, in an 18 month period, the investigative efforts of this office has resulted in the recovery of 40 semi-tractors and the anticipation of prosecution against the most active and notorious semi-tractor thieves in the Chicago area.

Theft from interstate shipments, commonly referred to as cartage thefts, always has been a significant problem in the Chicago area due to the volume of truck and railroad terminals as well as being the midwest crossroad for the trucking industry. Over the last two years, the Chicago area has experienced approximately 50 trailerload thefts per year ranging from 30,000 to 700,0000 dollars per load. Through undercover opeations and conventional investigative techniques, the Chicago FBI has targeted those organized, career criminal groups which are usually responsible for this type of crime. In 1984 one group was responsible for 27 of the 74 trailerload thefts. Their arrests and convictions drastically reduced the number of trailerload thefts in subsequent years and illustrated, in grand scale, the effect one group can have in this particular crime area.

Top Thief target groups have had historical and constant presence in the commission of major commercial burglaries. These groups, much like the trailerload thieves, are organized, career criminal groups. During the last two years, the Chicago FBI has undertaken a major effort to prosecute members of this criminal group. Through FBI investigation, nine individuals were indicted and convicted for the April, 1985, 1.5 million dollar cobalt theft from a Chicago Heights, Illinois, warehouse; in October, 1986, four members of this group were arrested by FBI Agents and Countryside, Illinois, Police Officers while attempting the burglary of a jewelry store; and two notorious jewelry thieves were convicted for the 250 thousand dollar theft of a jewelry salesman at South Bend, Indiana, in 1981. These arrests and convictions as well as the investigative momentum gained from these cases have resulted in substantial evidence to further prosecute the members of this major group which, for the most part, have been dismantled as a criminal force in the Chicago area.

These particular crime areas in the General Property Crimes Program of the Chicago FBI reflect a constant and comprehensive effort to identify and investigate the most significant property crime problems within FBI jurisdiction.

VI. PERSONAL CRIMES

The sixth priority of this Division is in the area of Personal Crimes. This Program encompasses such criminal activity as bank robberies, kidnapings and extortions. The success of the Chicago Division is a direct result of the excellent cooperation that we recieve from the Federal, state and local law enforcement agencies. I would like to list three significant investigations over the past two years which exemplify the tremendous cooperation between several law enforcement agencies:

The first investigation involved the violent abduction and murder of seven year old MELISSA ACKERMAN who was abducted in Somonauk, Illinois. A task force was immediately established comprised of 50 FBI Agents and several state and local police officers. Several days after the abduction, MELISSA ACKERMAN's body was found and evidence was obtained against BRIAN DUGAN. DUGAN later pled guilty to this and to another murder as well as other crimes and was sentenced to life in prison.

The second investigation of noteworthy interest resulted in the apprehension of two FBI Top Ten Fugitives, TERRY LEE CONNER and JOSEPH DOUGHERTY. CONNER and DOUGHERTY had escaped while being transported to a trial by U.S. Marshals. After escaping, they orchestrated several major bank robberies in which they usually held bank employees and their families hostage while they robbed the banks. A nationwide effort was jointly conducted by the FBI and the U.S. Marshal's Service as well as numerous local and state police departments which resulted in the apprehension of CONNER (just prior to committing a bank robbery in the Chicago area) at Arlington Heights, Illinois on 12/9/86. A few days later, DOUGHERTY was apprehended in San Francisco.

A third investigation which recently led to arrests and indictments in Chicago was a joint operation with FBI Agents and the Illinois State Police. During the month of May, 1987, an Illinois State Police undercover agent developed information which indicated that three individuals were planning a bank robbery and bombing in Hammond, Indiana. The FBI and the Illinois State Police initiated a joint investigation which resulted in the arrest of these three individuals (prior to the bank robbery) and the recovery of weapons and explosives which not only prevented the bank robbery from occurring but also prevented several innocent citizens from being victimized.

In conclusion, I would like to state for the record that in my 22 years as an FBI Agent, I've never experienced a more cooperative, closely knit group of law enforcement agencies at the Federal, state and local levels. Each of us has combined a wide variety of talent and expertise to bring to bear on the criminal element the most appropriate punishment for their crimes.

This professional law enforcement community, coupled with agressive prosecutors, both in the United States Attorney's Office and at the local level, is having a desirable impact on the reduction of crime and the citizens we serve.

In this short time period, I realize I barely scrapped the surface in setting forth the excellent work of the men and women of the Chicago FBI. They are dedicated public servants, who are proud of their work and proud of the citizens they serve. Thank you.

Senator DECONCINI. Mr. Chairman, I have no further questions of these witnesses.

I want to thank them very much and I want to thank you, Senator Dixon, for the great support you have given the committee in hosting this hearing today.

I want to acknowledge the support of your staff members, Joe Clayton and Brian Hanson and, also, Bobby Mills and Marilyn Washington of the subcommittee and Becky Davies of Senator Domenici's staff, and I am very pleased that Warren Kane is here with us. He is the staff director of the State Justice/Commerce Subcommittee. I think we have learned a lot here.

It has been helpful to us to learn that the Midwest is certainly not immune from the drug problems and, in many areas, has greater problems in the organized crime area.

I do want to say to the Federal agency representatives who testified here that it is rewarding to this Senator to hear of this cooperative effort. I have kicked around law enforcement a few years and it hasn't always been that way, I'm sorry to say, from my personal experience on the local level? But it certainly has improved and it is a credit to the leadership as well as the line personnel who want to make it work and who do not worry about the so-called egos and the credit of who takes the case down. It has a lot to do with the State level, too, having the confidence that they can deal fairly with the Federal agencies. At least, it has been my experience, and that is a very encouraging sign.

This hearing today, Senator Dixon, has pointed out to me that the so-called war on drugs is starting to take shape as Chief of Police Gates of Los Angeles has said to me for many years, even before I was in the Senate, and while I was working on cases with him out of Arizona. We've really never had a war on drugs. We are preparing for one, but when you have a war, you organize, mobilize, and devote all of your military assets. And he has worked on it for so many years. You mobilize all your civilian assets, you get your population committed that you are going to take the enemy, and we are moving in that direction.

I want to thank our Federal law enforcement personnel for the dedication and commitment that you have, as well as the local people.

Thank you, Senator.

Senator DIXON. I want to thank you, Senator DeConcini, and I want to express my appreciation for the fact that you would bring your expertise and that of your subcommittee to this great city of Chicago and to our State.

I do want to share with you my profound appreciation for the good work which the Federal agencies and State agencies and local agencies do in cooperating here. We thank you for this very important information that you have given us.

I mean it sincerely when I say that we would like to keep this record open, so that you can communicate with us and express your needs. I have noted Mr. Valukas' suggestion about the need for translators and transcribers and we will try to make that known to the appropriate people in the appropriate agencies of government for you, I assure you. So, to the degree that you can inform us with some specificity about your own individual needs in your agencies, express to us your concerns about your need for additional personnel or whatever it might be. We would be very anxious to have that from you.

And I know I express the appreciation of our committee and the Congress, generally, for your good work.

ADDITIONAL COMMITTEE QUESTIONS

There are some questions that will be submitted to be answered for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

Question. Can you elaborate on the Mexican connection in the trafficking of cocaine into the midwest and particularly Chicago ? Tell us which Mexican groups or individuals are involved.

Answer. Traditionally the Mexican traffickers in the Midwest, and in Chicago in particular, were involved almost solely in the smuggling and distribution of brown heroin and marijuana. Recently, however, Mexican traffickers have begun to deal in cocaine as well. The reason for this is probably two-fold - the large amount of money to be made from the sale of cocaine (due to demand), and the ability of the Mexican traffickers to make contacts in South America and elsewhere for sources of supply for cocaine. No particular group or groups control the distribution of cocaine, but as is the pattern for most of this section of the Midwest, numerous small groups or individuals distribute to consumers at different levels.

Question. Can you give us a snapshot of the flow of Southwest Asian heroin into the midwest and the influence of Pakistani and Lebanese trafficking groups in Chicago and other parts of the midwest ?

Answer. Heroin trafficking in the Chicago Field Division is comprised primarily of Mexican sources with other groups sporadically involved. Pakistani and Lebanese groups are not directly involved, although the sources of drugs in a recent major investigation in Chicago were attributed to Southwest Asia. The groups in this instance were Nigerian, but it is believed that the heroin had transited/originated in Pakistan.

Question. How do you specifically coordinate with Customs on this Operation Valkyrie program, and especially in the air interdiction arena -- an arena that has been given primarily to Customs and Coast Guard by the Attorney General ? (May, National Drug Policy Board decision on drug interdiction.)

Answer: Operation Valkyrie is a part of the DEA national "pipeline" program, designed to interdict drugs domestically. The transporting of drugs by traffickers internationally is the responsibility of U.S. Customs, the Chicago Field Division has experienced no problems in the distinction. At O'Hare International Airport and in Operation Valkyrie, DEA has coordinated its drug interdiction efforts with Customs as applicable and routinely exchanges intelligence information with U.S. Customs as part of a joint effort in interdiction.

The DEA airport enforcement operations are primarily domestic enforcement operations and not in conflict with U.S. Customs authority/responsibility.

Question. What is your view on returning at least concurrent investigative jurisdiction for narcotics-related matters to the Customs Service, particularly since they were just named the country's lead drug interdiction agency ?

How is the "temporary" delegation of authority working in south Florida and in Operation Alliance on the southwest border ? Couldn't that work well in the midwest as well ?

Answer. The U.S. Customs Service was recently named the lead drug interdiction agency, while the Drug Enforcement Administration, since 1973, has been the lead drug investigative agency. Prior DEA/Customs agreements have specifically delineated the drug enforcement responsibilities of each agency. The Chicago Field Division has complied with the agreements and has a good working relationship with U.S. Customs within the Division.

Traffickers within the five states of the Chicago Division have traditionally used some states in the southeastern and southwestern United States as source areas for drugs. While three states within the Division - North Dakota, Minnesota, and Wisconsin - either border on or are in proximity to the Canadian border, comparitively few illicit drugs cross the borders, and the trafficking that does exist is primarily from south (U.S.) to north (Canada); therefore, present trafficking patterns preclude the necessity for such large scale operations as the South Florida Task Force or Operation Alliance. Lastly, the Chicago Field Division is not in a position to judge the effectiveness of either Operation.

Question. What specific measures are DEA agents taking in the Chicago Field Division to combat the designer drug trade, and what success have you realized to-date? Be specific and cite cases.

Answer. The Chicago Field Division has not experienced a major problem with the trafficking of "designer drugs" (analogs). Page 64 of the Annual Report of the Organized Crime Drug Enforcement Task Force Program (March 1985) notes the use of pentazocine (Talwin) in combination with pyribenzammine or triplennamine as a heroin substitute known on the streets as "T 's and Blues"; however, the combination does not fall into the definition of "designer drugs", or analogs, because the drugs cited are not structurally modified, but are used in their original form to produce a heroin-like affect.

Question. Could you tell the Subcommittee about your experiences to-date regarding DEA's ability to turn over seized assets to State and local law enforcement agencies here in the Chicago Division and the North Carolina region? Give us some specifics.

Answer. Since the institution of the Asset Seizure Program in the Chicago Field Division, large amounts of currency and numerous vehicles have been shared with State and local agencies requesting adoption. The only criticism has been that although the large majority of asset cases have been successfully forfeited and shared, the time involved in the forfeiture process has been extensive. This fact is due at least in part to the administrative log jam at Headquarters. It is anticipated that this problem will resolve itself as the administrative process is streamlined.

As examples of the success of the program, the Elgin, Illinois Police Department received $500,000 as its share from a joint Police Department/DEA investigation, and the Chicago Police Department has received nearly $1 million (property values) through the Program. The latter figure represents 55 percent of the total assets forfeited through joint CPD/DEA cases.

Question. As a major user of drug intelligence and supplier of drug intelligence, what affect do you feel the All Source Intelligence Center will have on drug enforcement in the midwestern region and Chicago Division of DEA?

Answer. The All Source Intelligence Center (ASIC) is the proposed relocation and expansion of the current El Paso Intelligence Center (EPIC) facility and function. Ground breaking is scheduled for August, 1987. The function of ASIC will remain the same, with emphasis on tactical intelligence (interdiction). The effect on Chicago and Midwest drug enforcement will probably remain the same as present since the major focus of ASIC is interdiction. Hopefully the domestic supply of illicit drugs will decrease as a result.

Question. From DEA's perspective, can you give us your thoughts on the sentences being handed out in both the North Central and Great Lakes Task Force areas?

Answer: The sentences handed down in Chicago parallel those sentencing practices in other parts of the Northern District of Illinois. The matter has been discussed with the U.S. Attorney for the Northern District of Illinois who has asked to discuss the matter with the Federal judges within the jurisdiction. The Chicago Field Division would naturally be in favor of stricter sentencing to serve as a deterrent against drug trafficking. Lastly, the Division cannot respond for the Great Lakes Task Force, which is coordinated by the DEA Detroit Division.

CONCLUSION OF HEARING

Senator DIXON. If there is no further statement to be made by anyone, this subcommittee stands in recess.

We thank you very much.

[Whereupon, at 11:45 a.m., Monday, June 15, the hearing was concluded, and the subcommittee was recessed, to reconvene at the call of the Chair.]

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